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Where Are We Now In The Business Cycle?

How To Figure Stock Values

Investment Opportunities Of A Decade

Vol. 46 No. 6

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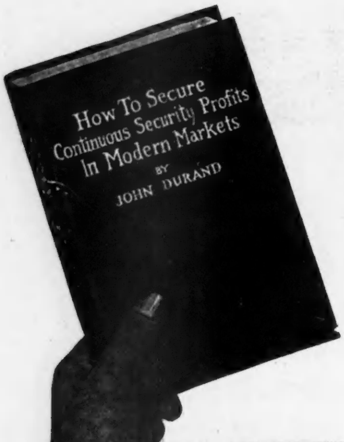

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WITH THE EDITORS

The Darkest Hour

IF it is possible to draw away momentarily from the engulfing stream of popular thought and view the current trend of hopes and fears objectively, an amazing contrast between today and a year ago presents itself. Perhaps the charge so frequently made that Americans are a nation of extremists, is not entirely without foundation. In the late Spring and early Summer of 1929 faith and optimism were unbounded. Business America pictured itself in a new era of expansion; it envisioned a new order of efficiency; saw a higher standard of living and new heights of consumption which were contributing to rising earnings of corporations, a great volume of new financing, larger dividends and a new standard of values for securities.

Deflation came. Business slowed down and cold actualities brought a revision of opinions concerning the expected trend of business, but hope persisted for several months. However, as the recessionary period extended itself it gradually produced a psychology fully as extreme, equally as illogical and as completely unfounded, as its antithesis in thought and opinion which prevailed a few months before. Recently the gloom has spread too uniformly thick to be reasonable. The pendulum has swung too far and nearly everybody seems overbearish.

Any given set of facts or figures are of course subject to diverse interpretation. The criticism of popular opinion to be made at this time, however, is that nearly all of us are apparently looking for the least favorable construction that can be applied to any information available on business or finance. Too few of us are seeking that unprejudiced view, which could go so far in the restoration of public confidence.

Consider for example the discussion which opens this issue of the magazine. How long do modern cycles in business last on the average anyway? Doesn't logic and precedent pretty definitely fix our position in the present one? The author in our opinion seems to have located the point of current business and its prospects with as much precision as could be expected.

Or take another tack—car loadings seem to indicate business at a low ebb. Do they really? Isn't it possible that we are trying to apply an index that has outgrown its significance? How about the freight that moves under gasoline power and the increased capacity of individual cars? Mr. Fulton's article throws new light on these questions. His discussions of how the rails are meeting the competition of motor truck and bus will interest every rail stockholder.

Or if you want to argue that security prices are below reason, let's consider the modern basis for valuing common stocks. The first of a series on this important topic appears in this number.

These are just a few of the points in this issue that may shoot a little illumination through the fog of doubt and pessimism now making the old saw about the darkest hour being the one before dawn, true and applicable once more.

Coming Features of Importance

IN THE JULY 26TH AND SUCCEEDING ISSUES

Will the Convalescent Market Recover or Relapse?
A Forecast of Inestimable Value
By GEORGE T. OSGOOD

Investment Opportunities in the Industries Which Should Be the First to Turn Upward on Business Revival
Selected by THE MAGAZINE OF WALL STREET STAFF

Are Bank Stocks in the Buying Zone?
By FRANCIS C. FULLERTON

Is African Copper a Contender for America's Place in European Markets?
By C. S. BURTON

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Investment and Business Trend

Mistakes of Practicality—A Good Sign—Capitalism Teaches Bolshevism—The Moment of Opportunity —Two Kinds of Bank Loans—The Market Prospect

MISTAKES OF PRACTICALITY

A COLUMBIA UNIVERSITY professor recently recalled Disraeli's definition of practical men "as those who continue to practice the mistakes of their predecessors." The professor was taking a sly dig at the leaders of an industry that has only recently asked him to undertake research along a fundamental line that he earnestly called to their attention fifteen years ago. These practical men have probably lost hundreds of millions of dollars for themselves and society by being practical according to Disraeli's apothegm. It may even turn out that they have entirely lost their jobs because they were so excessively practical. It isn't our professors and theorists who give us the periodical scourgings of the economic cycle—it is our practical men. They have an unconquerable love of repeating the mistakes of their predecessors. Over and over again every three or four years business repeats its errors and takes its lickings. It is exactly like a small boy who spends his weekly allowance the first of the week and gets along without chewing gum the other days. Feast and famine, extravagance and penury—that's the way we go. Business men blame the President and the government for the dullness of the times. We venture to say that not one of the critics has even read the report of or even heard of the Committee on Economic Changes, which has been working under national executive direction for eight years for the express purpose of establishing a technique that would keep us from being practical in the Disraelian sense. It is depressing to see the very human old captains of industry depart, leaving behind them these coldly impersonal corporations, but we notice that a business enterprise has to become large in order to become impersonal enough to escape the limitations of individual fossilization. The greatest corporation in the world has a department of 6,000 persons whose business it is to fight that practicalness that is nothing but lazy habit and easy routine. Some day these vast aggregations will take the sigh out of the business cycle.

A GOOD SIGN

"THE most encouraging factor in the business situation at the moment," writes a successful sales manager, "is that we have quit deluding ourselves. At last our industry is acting in accordance with the hard

facts instead of in complete harmony with illusion. Now we are all doing what we ought to do instead of what we would like to do. It is better to shut down for a month or two than to struggle profitlessly for the favor of lanquid buyers." Unlike man-made laws, the law of supply and demand cannot be flouted. To evade it only adds to the severity of the inevitable penalty.

CAPITALISM TEACHES BOLSHEVISM

THE Soviet government opened on the same day the largest agricultural machinery plant in Europe and a tractor factory with a capacity equal to that of all the other tractor concerns in Europe. The plants were built by Americans, but the Bolshevists are to run them—which will probably be something very different. If operations are successful and the peasants can use the machines, Russia will soon be back as an exporter of wheat. Bad news for the American farmer, just when the agricultural department tells him that the wheat raisers have seven lean years ahead. It's a ludicrous world. Capitalistic American industry plays school teacher to communistic Russia and builds up socialistic competition for the individualistic American farmer. We arrest the Communist soapbox orator for advocating communism here and we help his masters to make it a success in Russia.

THE MOMENT OF OPPORTUNITY

THIS is the fateful season of a decade for the judicious investor. "I owe my fortune to bad times," says a wealthy man, "without them there would have been no good times for me." Every period of depression in the history of the United States has been followed by an expansion that exceeded all of its predecessors.

TWO KINDS OF BANK LOANS

IN spite of the impressive reductions in brokers' loans, the security loans advanced directly by reporting member banks remain about $1,000,000,000 higher at the end of June than they were a year ago. While collateral loans of these banks increase, their "other" loans—mostly commercial borrowing—continue to contract. There is no reason however, for much "viewing with alarm," over this current tendency of bank lending practices. As far as the loans against securities are concerned, it must be remembered that the banks generally are hard pressed to find profitable employment for their funds. They are getting a good rate of return on this type of accommodation, are apparently very well satisfied with their experience with collateral loans during the fall and more recent summer break in stock market prices. Theoretically at least, bank loans placed directly against securities are of short term and the lender can easily scale down such advances if conditions demand such action. As far as the reduction in commercial borrowing is concerned, that is to be expected during a period of comparatively dull business activity. A recent study by the Federal Reserve Agent in the New York District shows that similar tendencies were noted in previous business depressions. In 1921, for instance, the shrinkage in commercial loans continued a good while after business activity definitely started to turn upward. So it is neither unlikely, nor cause for concern that commercial borrowing of the reporting member banks should record further shrinkage.

THE MARKET PROSPECT

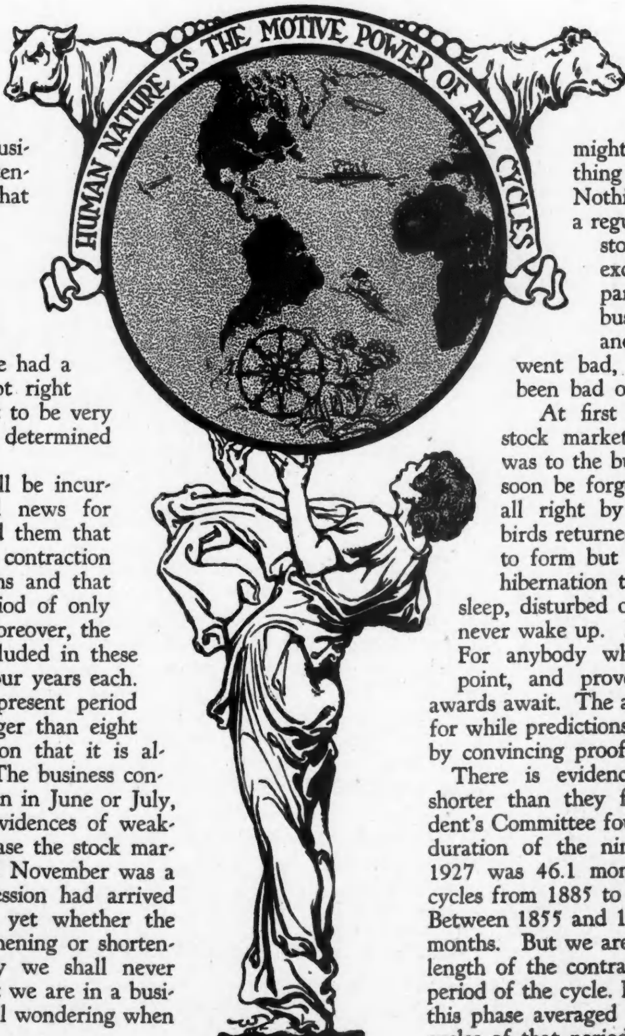
THE force of the liquidation which hung over the stock market during June, seemed to have largely spent itself by the end of the month and the early July trading fell off in volume to the lowest levels since 1928. One of the most encouraging signs that have been witnessed in many weeks, was the large and consistent reduction in brokers' loans, week by week during the latter part of the past month. Normally such reductions, during a period of distress selling, are assumed to represent the passing of stocks from weak to strong hands. In the present instance, with volume of trading at the lowest levels for the past few years and prices momentarily steady, it seems obvious that a large portion of the forced liquidation that has come on the market in recent weeks is being taken out of the market by investment buyers. Whatever proportion of the current buying is for investment account, however, the total volume is bound to be light in this kind of a market. Compared with the extensive supply of liquid capital available for immediate commitment, the surface has hardly been scratched. The slight upward revision of collateral loan rates which occurred around the month-end was probably due largely to seasonal conditions, and represents little change in the supply or demand for stock market funds. When large interests re-enter the market on an important scale, call money and short term loan rates should work gradually higher—in fact, such a tendency might be regarded as a favorable omen for the near range future of the market. Under present circumstances excessively low call money rates lose much of their traditional force as a bullish stock market factor. In the meantime, we seem to have entered the early stages of a period of accumulation. If the market harbors an extensive short interest, as some observers believe, they lack sufficient confidence in the constructive side of the market to run to cover on the day to day demonstrations recently staged in a relatively dull market. They know that the buying power of the public is at a low ebb when stock prices are depressed and may be expected to stubbornly resist attempts to rally the market and bring values to a higher plane. The efforts of the shorts have been concentrated a good deal of late on the market leaders, opening up some attractive investment opportunities among the first class issues. Both on investment values and on a technical position of the market that seems favorable for a rally, we believe that commitments on the long side should prove to be profitable in the market immediately ahead. We have the kind of a market, however, in which it pays to buy stocks on recessions and avoid reaching up for commitments in the rallies.

Monday, July 7th, 1930.

Is the Business Cycle Scraping Bottom?

Business Contraction Has Been Evident for More Than a Year and the Forces from Which the Downswing Originated Date Back Still Farther—What Is the Prospect for Coming Months?

By Theodore M. Knappen



FOR the benefit of the increasing number of people who are enjoying themselves in collecting a choice assortment of excellent causes for a continuation of the business depression we direct attention to the business cycle that began in 1871 and lasted until 1879. The contraction phase of this cycle set in in November, 1873, and continued until March, 1879,—five years and a half. The fact that we once had a business depression that kept right on into the sixth year ought to be very encouraging for the most determined gloomists.

But lest the optimists shall be incurably shocked by this good news for glooms, we hasten to remind them that seventy years ago there was a contraction that lasted only eight months and that there was another letup period of only eight months in 1918-19. Moreover, the two war booms that are included in these seventy years lasted about four years each.

Now we know that the present period of contraction must last longer than eight months, for the simple reason that it is already a year or more old. The business contraction appears to have begun in June or July, 1929, although there were evidences of weakness much earlier. In any case the stock market crisis of last October and November was a formal notice that the depression had arrived in force. We don't know yet whether the crisis had the effect of lengthening or shortening the depression—probably we shall never know. But we all know that we are in a business depression, and we are all wondering when it will be over.

Also we are now convinced that if the economic sharps know how to prevent the recurrence of business cycles nobody is yet on the job. It was less than a year ago that the President's Committee on Recent Economic Changes simultaneously pointed out that it was seemingly possible to moderate the extremes of the business cycle and at the same time hinted that there were ominous clouds on the horizon that might develop a cyclone, if something were not done about them. Nothing was done, and along came a regular old-fashioned crisis in the stock market and in business—except that there was no accompanying money panic or general business disruption. Business and the market rather suddenly went bad, and broadly speaking have been bad or worse ever since.

At first it was considered that the stock market crisis was about all there was to the business jolt and that it would soon be forgotten. Everything would be all right by spring. Spring came, the birds returned and nature's cycle ran true to form but business insisted that it was hibernation time, curled up and went to sleep, disturbed only by dreams that it might never wake up. How long will the sleep last? For anybody who can predict the turning point, and prove that he is right, golden awards await. The awards will never be claimed, for while predictions are many none is supported by convincing proof.

There is evidence that business cycles are shorter than they formerly were. The President's Committee found that whereas the average duration of the nineteen cycles from 1855 to 1927 was 46.1 months the average of thirteen cycles from 1885 to 1927 was only 39.3 months. Between 1855 and 1885 the cycles averaged 60.8 months. But we are now more interested in the length of the contraction phase than in the full period of the cycle. From 1855 to 1927 inclusive, this phase averaged 20.7, whereas in the last 13 cycles of that period contraction held on for an average of only 16.5 months. Eighteen months is about the median length of a contraction. Of the nineteen crises under review four lasted eighteen months on the downward curve, eight were shorter and seven were longer. There has never been a crisis that was exactly of average

length. If the present were to coincide with the average contraction, it would still have four or five months to go. On the median basis the turn would come about the end of the year. As a matter of actual fact it is very difficult, even looking backward to determine the limits of cycles or their phases. It is still harder to tell in midst of the cycle just where the present stands. It is possible to make good cases for turning points as much as a year apart.

A Turn in Prospect

Early in the present recession it was generally assumed that the contraction period would be very brief, probably not more than the fourteen months of the cycles of 1921-24 and 1924-27, and July 1 was quite commonly fixed as the turning point. The general opinion now is that the turn will not be visible before August and that it may be delayed until the end of the year. There are conservative forecasters who predict another bad winter. The general tendency is to compare the present cycle with that of 1919 to 1921 rather than with the later cycles with regard to its severity, although that does not necessarily mean that the contraction period will be so long at the present time as it was then.

High Lights in the Present Cycle

The period of contraction in the present cycle appears to have begun in the middle of last year, although there were evidences of it much earlier, which suggests that an end may be nearer than is commonly believed.

Overproduction is the basic cause of the present recession in trade and industry; but unlike the crisis of 1921, when producers' inventories were excessive, the present period finds consumers rather than producers surfeited with goods. This is perhaps more favorable than it might seem, for the excess of merchandise and commodities is largely in users' hands. It is being reduced more rapidly than if it were in warehouse, which means an earlier resumption of demand.

The recent period of prosperity was reared on an increasing standard of living; and we cannot expect to rise from current dullness on the buying of life's necessities alone. We must have a resumption of the demand for luxury commodities and new products.

We are confronted by a world-wide and sharp recession of commodity prices. It suggests a parallel with the long declines in prices following the Napoleonic and Civil wars. Both of these declines were associated with relatively decreasing gold supplies. Both were relieved by new gold discoveries and recoveries. It was declining gold prices that fostered the free silver movement of the last part of the Nineteenth Century, and it was the discovery of gold in the Transvaal, the Yukon and Alaska that eclipsed it. Plentiful gold made money as cheap and prices as increasing as a stream of silver from the mints could have occasioned. The rising price of gold was largely responsible for the fact that so large a part of the great era of expansion from the end of the Civil War until near the end of the century was so largely taken up with painful business recessions. It may be that the world-wide fall of prices is the reflection of the rise of the price of gold, because of its increasing scarcity. If such is the fact the present business recession may become almost chronic, like the one that lasted from 1873 to 1879, unless the world has the intelligence and the will to make less gold go farther.

But whatever part gold may be playing in the present economic drama it is also certain that there has been an overproduction of raw materials and foodstuffs. Since the war there has been not only a great advance in the technology and technique of agricultural production, but virtually all the industrial nations have made extraordinary efforts to stimulate the production of food stuffs. The nations that export agricultural surpluses have increased their surpluses and the nations that import have decreased their purchases. From the scarce food period of the war and after, the world has rebounded to the plenty and prices of the antebellum period. Wheat is bringing 65 cents at the farm in Kansas. That is about the price that put Coxey's army on the march. Nothing but incredibly short crops for the next two years can greatly change the wheat situation. Cotton is in the same plight. Between the competition of new fibres and the increased production of cotton in Asia and Africa, American farmers are now selling cotton at less than the cost of production. Rubber is superabundant, copper is dirt cheap, coffee is too plentiful. Stocks of tin, zinc, lead, crude petroleum, cotton goods and hides are excessive. Forest products are in a glut.

This huge production and these large stocks are now confronted by reduced demand. The entire trade of the world is shrinking. Unemployment is everywhere increasing. Factory employment in the United States is 16 per cent below the 1930 peak and threatening the 1924 low. If millions of men are out of work money is unemployed. The discount rate in New York is down to 2½%, the lowest in history. Pessimism is rampant and some of its prophets seriously doubt whether times will be buoyantly good again in this generation and not a few are sure that we are in for the longest depression since the nineties—declaring that the combination of European recovery from the destruction and paralysis of war, surplus production all over the world, the general ability to overproduce in almost any line on short notice and the declining supply of gold unite to make the going more difficult for us in the near future than for most other nations.

It has always been so. When times are good the majority of Americans believe that they will be so forever. When they are bad they are sure there will be no relief. It is no solace, no comfort, no encouragement, to them to know, as they do, that the United States has always found depressions a solid foothold for more glorious advances than ever.

The Worst Not So Bad

Now, after all, there is no great occasion for gloom even as the situation stands at this moment. Our booms and our glooms are not so far apart as our habits of talk and comparison lead us to believe. The difference between boom periods and what we call recessions is really only the difference between a little extra industrial effort and the ordinary functioning of the nation. In this country the people are always fed, clothed and housed, whether steel production is up or down, and whether the output of automobiles is 500,000 or 300,000 a month. At the most it is calculated that never more than 15 per cent of the national income goes into savings and so

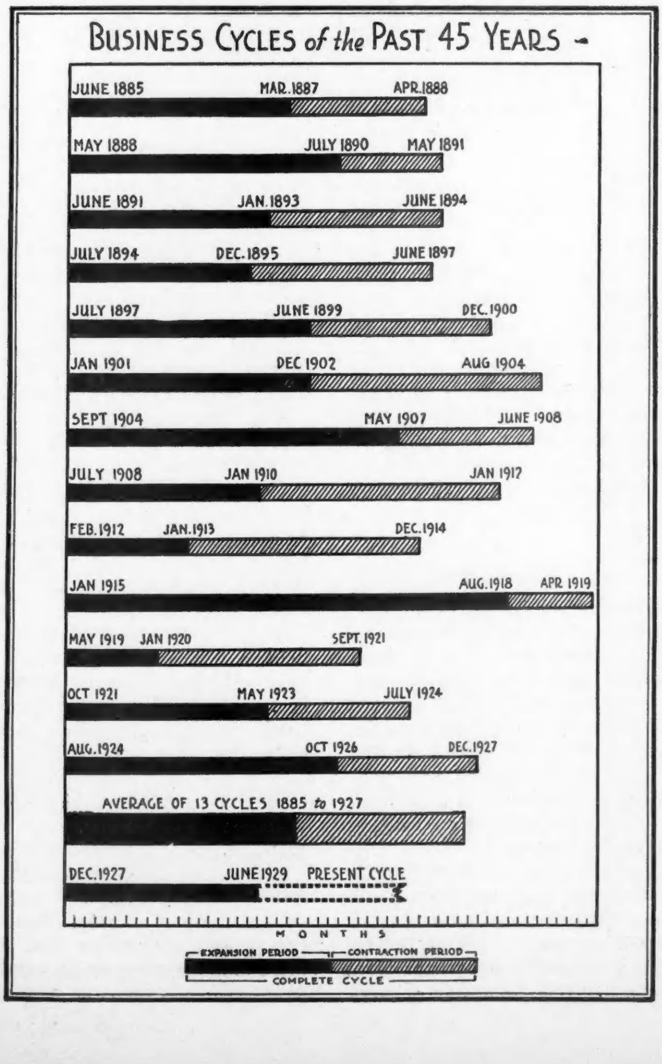
becomes available for construction and renovation—the other 85 is always on the job. It is this 15 per cent or less, whose oscillations give us our so-called good and bad times. Ability to eat regularly was once accounted success, but no longer. We insist that the super-normal must be the normal.

When savings have accumulated and are being put into buildings, machinery, roads, ships, factories, etc., we have an expansion of business activity. Now the United States is at all times geared up to the demands of this expansion. We have adjusted our productive capacity, our labor, our machinery, our transport and our distributive systems to the high gear. When in each cycle the demand for extensions, new construction and improvements is over we proceed to slump dismally back to the normal. The iron and steel trade and the other building material industries and the industries that make the machinery of production are quickly affected and then rails and ships, and finally labor. Everything that depends upon the 15 per cent margin for full activity suffers; especially is this true of luxury commodities, the volume of whose consumption is a thermometer of prosperity. Then the psychology of defeat or at least of caution sets in, and even the normal consumption of an over expanding nation—expanding both in population and wants—is somewhat checked. In the next period of expansion we grow up to the new capacity—but, unfortunately, leap recklessly beyond it. And then we are relatively in the same position as before. Comes another slump, another crisis and the painful climb out of the valley of depression. It is significant of our really unimpaired economic condition that the nation's retail trade is not more than 2 per cent off from that of 1929 and is in greater volume than at the top of any previous business expansion. Postal receipts are actually larger than they were last year. But there is ground for believing that retail business has been held up by highly artificial measures.

Admitting that on account of the limited gold supply we may be on a long downward slope in commodity prices which will tend to restore the old-time severity and duration of the descent of the business cycle, we can find no explanation therein for the present abrupt commodity slump throughout the world. This is an acute situation, due to ephemeral rather than enduring causes. It is plainly a case of overproduction and underdemand—nothing but the chronic unbalance of the cycles that the United States has undergone for more than a century ever since 1814. A shortage of gold may put wheat back to pre-war levels in the long run but it has not suddenly brought wheat down to 65 cents in Kansas. World overproduction is responsible for that. Lack of gold may debilitate us in the future but it has little to do with the present fever.

Conceding, as we probably must, that the present cycle is more like that of 1919-21 in severity than the intermediate ones we find that the business crisis of that period was not paralleled at all in the present. "The crisis of 1921," writes Carl Snyder, general statistician of the New York Federal Reserve Bank, "was, while it lasted, the most acute of anything of which we have any definite record in more than a century. The percentage fall in the steel trade, in railway traffic and the like was the heaviest ever known." Our foreign trade seemed to collapse—and we had to adjust ourselves to the passing of the frantic demands of a starved and depleted world for our goods. The economic structure or processes of the United States have not been impaired in the slightest degree. Physically and financially we are intact and greater than ever. We are all set for the next period of expansion to be greater than any that has preceded it if there is the necessary stimulation of business.

There are some doubters who like to think that we have exhausted all the domestic stimuli for business and there is well grounded fear that we are going to have a hard time in finding outlets for increased production abroad. If science has no tricks left in its bag and industry has ceased to seek increased productiveness there may be nothing behind the curtain to stimulate business as the successively new automobile, moving picture and radio industries have done in the first thirty years of this century. But from what an onlooker can learn science's bag of tricks is bulging and the pressure for greater productiveness is as strong as ever. The endless American process of scrapping and rebuilding, to say nothing of building anew seems nowhere near a secular pause.



As for foreign trade, its slump is partly due to the suspension of American exports of capital during 1929. Business activity in many countries was lessened and their demand for domestic and foreign raw materials decreased. The billions of dollars that we were playing with in the stock market did neither the foreigners nor us much productive or consumptive good. After the stock market crisis arrived in this country the decline in industrial activity became more pronounced.

(*Please turn to page* 510)

On Steel, Air or Rubber

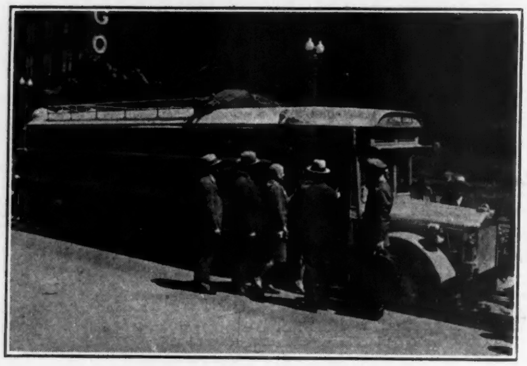
Can the Railroads Meet the Rising Competition of Motor Bus and Truck, Private Automobile and Airplane?

By Pierce H. Fulton

WHAT is the outlook for the railroads and their securities in view of the many problems with which they have to contend?

Can they overcome the effects upon their earnings of the most modern mediums of transportation—motor bus and truck, private automobile and airplane?

To what extent were the big decreases in gross earnings for the first five months of this year, compared with the corresponding period of last year, due to the operations of these newest of all competitors of the steam railroads of the United States?



A Greyhound Detroit-Chicago Sleeper Bus

Can the latter, in a normal business year, meet all the competition so far offered and make earnings equal to present rates of dividends, and a comfortable surplus?

Are the railroad stocks a purchase at present levels, or are they no longer safe mediums of investment?

These are among the many questions that have been lately raised with respect to the present position and outlook for the railroads and their shares. It is the purpose of this article to answer these questions, with adequate substantiation in facts and figures, dealing especially with competition of the motor bus and truck, private automobile and airplane.

Safety of Dividends

Before attempting to do so, in all fairness to apprehensive owners of railroad stocks and to those who may have hesitated about buying even the best of them, at the recent low prices, it should be unreservedly asserted that in a normal traffic year, and in spite of all obstacles that have developed so far, the Class I railroads of the United States that are conservatively capitalized, and managed, can earn reasonable rates of dividends on their common stocks, in addition to the full dividends on existing preferred stocks, *and a comfortable surplus.*

This is not a random statement of one not familiar with the railroad situation in this country. It is based, first of all, upon actual results attained by the railroads in the last five years or more, during all of which time the problems of today already existed, although some of them perhaps were not as formidable as now. It results from discussions of every phase of the situation in the United States with the leading executives of the steam railroads, for the last 30 years, as well as from a close study of every railroad of importance and every railroad problem worthy of consideration.

Bear the following points in mind as you read this article:

Ralph Budd, president of the Great Northern Railway, says: "The automotive industry has done more to benefit the railroads than to injure them."

Daniel Willard, president of the Baltimore & Ohio: "After all is said and done, the steam railroads of the United States are still carrying more than 90 per cent of the freight traffic of the country."

Frank MacManamy, chairman of the Interstate Commerce Commission, says: "I have an abiding faith in the railroads of the United States as at present managed, providing they do not spend too much money in acquiring and developing other means of transportation to handle traffic which can be more effectively carried by the railroads."

The "Railway Age" says: "Commutation travel this year is not only exceeding the 1929 volume, but has reached a peak for all time."

Competition from the private automobile and motor bus has given the people of this country better passenger service on the railroads, the motor truck the same with respect to freight service. It might also be said that competition from these two sources has resulted in more economical operation by the railroads, larger net in proportion to gross earnings, and a bigger margin of safety over dividends for shareholders.

All of these facts and statements, however, should not be taken to mean that the competition of the motor bus, truck, private automobile and airplane are not serious considerations in railway traffic.

Private Motor Cars

Everyone of these four modern mediums of transportation present real problems, the first three much greater and more serious than the last. Let us deal with the private automobile first, because it has taken many more millions of passengers and of earnings away from the steam railroads than the motor bus ever has or is likely to

do for some years to come, in the judgment of railway executives who have studied this problem with the greatest care.

The railroads have caused to be published column upon column about the injustice of the motor buses and motor trucks being permitted to operate on the highways, that the taxes paid by the railroads have helped to build, without paying a direct tax themselves. It seems perfectly plain that motor bus lines, particularly those doing an interstate business, should be regulated by the government and should pay taxes the same as the railroads. The latter have tried hard to secure governmental supervision and taxation of both the motor bus and truck, but so far without success. Both are bound to come, probably within a comparatively short time. When such legislation is enacted competition between the railroads and motor bus and truck will be on a decidedly fairer basis.

In spite of all that they may try to do, however, the railroads cannot even hope to secure governmental supervision or taxation of the pleasure car. It is privately owned and operated property, subject only to indirect taxation by states or by fuel consumed.

The number of passengers carried by the steam railroads and the receipts therefrom have decreased by many millions during the last ten years because of the private automobile—also, of course, because of the bus—but not nearly to the same extent.

Passenger Revenues Fall

Take for illustration the Pennsylvania system, which, in 1929, carried over 19 per cent of the passenger traffic of the entire United States. In 1921 it handled 161,977,733 passengers and received for this service $163,508,004. In 1929 the number of passengers fell to 113,713,797 and the revenues to $134,384,734.

For these big losses, 48,263,936 in the number of passengers, and $29,123,270 in revenues, the private automobile must be blamed very largely. Of course, the bus played its part, and a considerable one. No one can tell the exact extent in either instance, but unquestionably, the private automobile was much the bigger factor.

All that the railroads can do to overcome competition from the pleasure car is to make it more comfortable and cheaper to go fairly long distances in railroad trains than by automobile. Several of the steam roads have taken well defined steps in this direction. The Central Railroad of New Jersey has put on a special train from Jersey City to Atlantic City, known as the "Blue Comet." It consists altogether of day coaches, no extra fares charged and fast time is made. The train has proved popular. The New York Central has in operation a train of specially designed day coaches, between New York and Buffalo, also without extra fare, although conveniences are supplied that are not found in ordinary day coaches. It, likewise, has proven popular.

In meeting competition from the pleasure automobile, and likewise the motor bus, the steam railroads have several factors decidedly in their favor. Against highways made rough often by heavy motor traffic, and crowded to the limit, the railroads have a well ballasted track, fully protected by a block system—and in many cases by automatic train control—with the minimum of danger from traffic.

The hazards in traffic on the highways, no one can estimate. This statement is equally true of the nerve strain of both those who drive and those who simply ride. The highways are becoming more crowded every day, whereas the lines of the railroads are clearer in some cases than several years ago, because of the additional tracks, and recently, the trains that have been taken off.

Safer and Faster

It is up to the railroads to convince owners of private cars, and more or less regular patrons of the motor bus that riding on a New York Central train from New York to Buffalo, for instance, is safer, faster, more comfortable and cheaper than to go by the pleasure car. Not a few tourists have learned that to make a trip by private automobile that involves staying over-night on the way is more expensive than to go by train and get there the same day, even if there are several in the party.

The speed of railroad transportation is being stepped up. Engines of greater power, roller bearings and improved road bed are all designed for more miles per hour in both freight and passenger service.

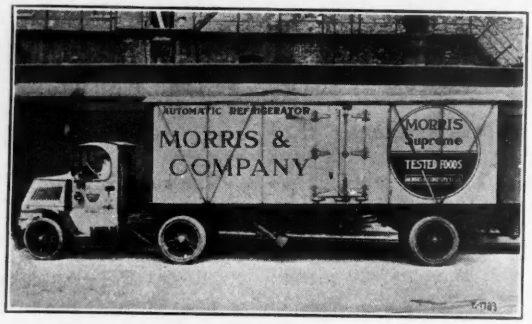
The railroads report that more and more, although gradually, people are becoming railroad-train-minded again because of the belief that travel that way is safer, more comfortable, and in the end cheaper. Notwithstanding

this tendency the private automobile is certain to continue the biggest factor as a competitor of the steam railroads for passenger traffic—long-haul as well as short-haul.

More Passenger Losses

As already indicated, executives of the steam railroads have not been nearly as much concerned over the motor bus as a competitor for passenger traffic, although no one of them would be so foolish as to attempt to deny that this modern medium of transportation has not taken away from the steam railroads millions of passengers and millions of gross earnings every year.

In spite of this fact some of the railroads, even the larger systems, have done little or nothing to meet the motor bus competition. They have carefully looked into the situation and even have had exhaustive studies made with the result that so far the directors of those roads have decided that it was not worth while for them to go into the motor business themselves, or even to give serious consideration to competition from the privately owned and operated bus.



Operating Out of Metropolitan Centers Even Refrigerator Motor Trucks are in Service

New York Central is a striking illustration of the roads in this category. Its management is firmly of the opinion that more money can be made in the end from giving attention primarily, and all the time, and in the spending of money, to run a steam railroad as such. Twenty years or more ago the New York Central felt keenly the competition of interurban trolley lines most of the way from Albany to Buffalo. They bought up those and other lines and operated them under the name of the New York State Railways. A few years ago New York Central was glad to find a purchaser for this property and to go back to the business of running a great system of steam railroads.

In the Northwest the Great Northern bought a privately owned and operated bus line that was becoming a more or less formidable competitor for passenger traffic, developed it by the expenditure of considerable money and operated this new medium of transportation for several years. It, too, was glad to sell out not long ago and also return to purely steam railroading. Northern Pacific, which operates in the same general territory, went carefully into the motor bus situation and its directors decided unanimously to keep out of it. So far they have never had occasion to regret their action. Atchison, one of the most aggressively but conservatively and successfully managed railroads of the United States, never has taken up the motor bus idea except to accommodate passengers between its trains and points of outstanding scenic interest enroute from Chicago to California.

Embracing Competition

Southern Pacific in the West and Pennsylvania in the East are the two large steam railroad systems that have embraced the motor bus idea on the biggest scale with a view to supplementing their passenger train service. Southern Pacific directors decided that because California is a great playground the year around and has so many points of special scenic interest that are not reached by the railroads, the company should go into the motor bus business in order to compete with the privately owned and operated lines, and also with a view to increasing the number of passengers on its trains This service has been maintained through the ownership of stock in a subsidiary of the Greyhound Corporation, the general holding company for the Greyhound Lines. Southern Pacific has its representatives on the board of the subsidiary company, and in this way is understood to control its management.

Pennsylvania has a somewhat similar relationship with the Greyhound Lines and other bus lines in the East. The attitude of Gen. W. W. Atterbury, president of the Pennsylvania, and his associates toward the question of rail-motor highway service is clearly set forth in the following statement by him in the 1929 annual report of that company:

"It is recognized that motor vehicles offer an important supplemental service which the railroads can use to advantage. The question of co-ordinated transportation is one of the most important present-day problems, requiring for its proper solution scientific study and treatment, and cooperation on the part of the public and the authorities in charge of regulation.

"Considerable progress has been made in this direction during the past year, and your company is co-operating with various companies specializing in motor traffic. In lending its endorsement and support to this form of transportation on the public highways, and in arranging such service in conjunction with its own train operations, it will be the policy of your company to assure the public that motor operations with which it is associated will be conducted in accordance with proper standards."

Combination Service

On April 1st, the Pennsylvania made detailed announcement of an arrangement that it had made with the Greyhound Lines for co-ordinated rail and motor bus service. It provides for such a combination service from the Atlantic Seaboard to Chicago and St. Louis. The total fare from New York to Chicago, including upper berth, is $32.18 against $39.90 by the all-train route, also including upper berth. Union Pacific and Burlington are two other large railroad systems in the West that own and operate motor bus subsidiaries.

New England is the popular resort area of the East, corresponding quite closely in that respect to California on the Pacific Coast, except that New England goes much more extensively into winter sports because of favorable climatic conditions. The New Haven Railroad has in operation a transport company known as the New England Transportation Co., a subsidiary, which runs both motor buses and motor trucks. For 1929 it showed a deficit, largely, it is officially stated, because of a falling off in passenger revenues during the latter part of the year. E. G. Buckland, Chairman of the Board, says, "however, combined results of the transportation company and the New Haven Railroad from motor coach operation co-ordinated with rail service, were most satisfactory."

At the close of last year, the transportation com-

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The Practical Basis for Valuing Common Stocks

Simple, Workable, Tested Plan That Provides a Valuable Yardstick for Revealing True Stock Values

By W. R. Smith

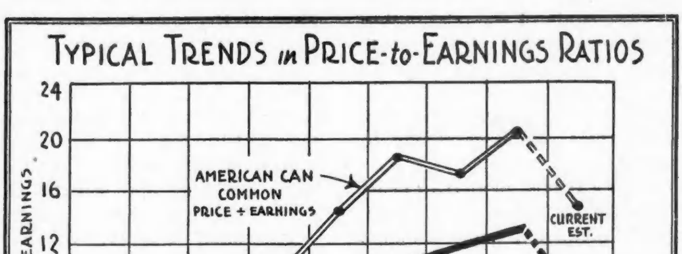
THE old makes way for the new. Traditions and long established rules have gone by the board during the past month's stock market history, and many common stocks are today selling at exceedingly attractive levels from the investor's standpoint. But just how can the investor determine which issues among the 1,400 odd listed really are the cheapest—not merely in price, but in relation to such fundamentals as earnings, calibre of management and future possibilities?

For the past decade, and indeed even until two years ago, the accepted yardstick of value for measuring a given stock's market position was a price-to-earnings ratio of 10 to 1. That is to say, a fair market price was considered as roughly ten times the annual rate of earnings per share. Particularly was this measuring stick useful when applied to dividend-paying investment grade rails and the more seasoned industrials. Such issues as Baltimore & Ohio, Atchison, Union Pacific, General Motors, United States Steel and several hundred other well seasoned issues conformed surprisingly well in their market prices to the 10-times-earnings figure. Even when applied to the rank and file of industrials, including many non-dividend payers, the same rule-of-thumb provided an excellent guide as to the reasonable market price that the stock might be expected to attain.

Volumes have been written, countless lists prepared—all in an endeavor to help the investor determine how his securities stood with respect to the basic 10-to-1 price-earnings ratio. This method proved of great value for rough approximations; it opened the eye of many an inexperienced buyer, and served to magnify at once any gross inequalities of value. It still has a fair-sized following among the "old school."

But the markets of previous years were small in size compared with the five to ten million share days of more recent times. Two or three years ago 900 issues were listed on the New York Stock Exchange, compared with more than 1,400 at present, not to mention the large increase on the Curb and other exchanges. Public participation and interest in the market was slight; today, it is widespread. Investors have become much more familiar with balance sheets, income statements and accounting ratios. Along with this progress, the old, inadequate 10-times-earnings yardstick has gone into the discard; a new group of investors has come into power. No longer is the old rule a practical, workable and reliable guide in evaluating common stocks.

A good part of the change can be accounted for by the great bull market of 1929, which contributed a powerful influence working toward the overthrow of many of the old, accepted ideas on finance. This period witnessed public participation on a scale hitherto unknown. Exceptions to the old yardstick's basis of value became increasingly common; and it was at about this critical time that Mr. Rascob publicly announced his very popular "new era" theory; namely, that a 15-to-1 ratio between price and earnings was the new order of the day, and constituted a reasonable relationship. Temporarily at least, the new yardstick appeared useful in evaluating common stocks of the more popular and actively sponsored type.



Supporting this new line of thought was the tremendous expansion in the investment trust idea, with new issues of sizeable proportions being offered several times each week; and large amounts of cash funds suddenly pouring into the hands of trustees for investment—largely in common stocks. Added to this development was the change in attitude on the part of large institutions with respect to the importance of common stocks in their holdings; particularly was this noticeable in the case of some of the insurance companies.

Soon a so-called "scarcity value" attached itself to the better grade common stocks, as the various investment trusts, insurance companies and large institutions bid against each other to acquire the popular favorites for their

individual portfolios. Under such abnormal conditions of bullish enthusiasm, the 15-to-1 ratio appeared as an effective gauge for distinguishing true values from the enticing but fictitious ones.

Fifteen Times Earnings

Then along came that long list of explanations tending to prove that America's business and industrial expansion speed has been permanently accelerated to a higher plane of activity—a line of reasoning that demands very careful consideration in formulating any new basis for evaluating equities. Statements to the effect that the Federal Reserve Banking System should have a permanent stabilizing effect upon extreme fluctuations in the business cycle appear as among the soundest put out to support the 15-to-1 ratio.

But the belief widely held last Fall that the unusually long period of almost continuous business prosperity was in itself a basis for permanently higher stock prices has been proved rather decisively in current markets as wholly unwarranted. While a third supporting argument, that the rising trend of efficiency in production and in management methods would permanently lift stock prices to higher levels, is being severely tested under present business conditions. It appears to have a sounder basis than many other explanations eagerly brought out; and while increased efficiency may accelerate the rise, when once it starts, we have yet to see whether it can allay the public's fears during a full-fledged selling movement with its accompanying peak activity, and reckless abandonment of logical reasoning.

Another Yardstick Discarded

Still another of the tried and proven methods of evaluating common stock prices is a close study of the relationship between bond yields and the return afforded by high grade dividend-paying common stocks. This basis has a long record of usefulness in the past, and has acquired a rather enthusiastic following among the large institutions and wealthy individuals who make their purchases chiefly in the high grade investment issues.

When the yield on good quality bonds, plotted in chart form, crosses and declines beneath the curve of yield obtainable on the better grade dividend-paying common stocks, past experience has shown it to be a favorable time to begin accumulating high grade common stocks. This is on the assumption that bond prices have risen to such a level that their limited privilege to share in the future growth and profits of the company finally outweighs the advantages of mortgage security and assured regularity of income. And on the other side of the picture, when the bond yield line crosses and rises above the stock curve, it is argued that stocks are in the selling zone; that even with their attractive possibilities for participating in the future growth of the company, the risks of further decline and the inflated superstructure of high prices then prevailing make further holding of common stocks hazardous and likely to be highly unprofitable.

But even this old yardstick no longer can be relied upon for accuracy; and the fundamental reason is that bonds appear to have lost permanently much of their old time popularity with the public as mediums for investment. Perhaps the present drastic downward revision of common stock prices, together with the continuance of low money rates, will turn public attention once again toward bonds—but it is extremely unlikely that the interest will be long sustained. Bonds have a very definite and essential place in modern financing technique; but that place is being gradually but surely filled—not by the public, but by the banks and other institutional investors.

Factors Entering Into the Determination of Common Stock Values

Item	Average Weighting
1. Price-earnings ratio, current prices	10%
2. Past record, management, etc.....	25
3. Technical position, current market.	15
4. General money and credit conditions	10
5. Future possibilities of the company, mergers, new markets, etc.......	40
Total	100%

Stock Salesmen Play a Trump Card

Again, exceptionally able salesmanship on the part of many stock selling houses during the past two years has helped along the popularity of equities. Skillfully designed advertising campaigns emphasizing the opportunity afforded by common stocks to obtain "a cross-section of American industry and profit with the growth of the country" have met a ready and generous response. Trump cards of this type have been played with telling effect upon the popularity of bonds with the general public—and with the reliability of the bond-yield curve as a yardstick for evaluating common stocks.

Why should the business man, who is accustomed to assuming heavy risks in the every day routine conduct of his business, object to taking some risk on his investments. Perhaps the very unsatisfactory behavior of bond market prices during the past year and a half is the answer. At any rate, it is clear that the old-time relationship between bond and stock yields no longer serves for judging reasonable limits for 1930 stock prices.

And if we scrutinize the actual sales of bonds on the New York Stock Exchange during the past eighteen months, the records reveal that in a majority of sessions convertible and warrant bonds have monopolized the sales. Here at the very headquarters of the funded obligations' strength is an invasion by the equity forces; it is most convincing evidence of the changing character of the bond market. Mongrel and half-breed issues have caught the public's fancy; and the sterling thoroughbreds are left unmolested for the large institutional buyers. Changing conditions at headquarters necessarily must be reflected all along the line, and especially in the bond-yield division with its interpretation of common stock values.

Anaconda Copper, U. S. Steel and other leaders promptly took advantage of the changing trend by calling their bonds and substituting common stock. This very process eliminated many of the old-time funded obligations which have been included for years in the bond-yield calculations. Naturally their elimination, and the necessary substitution of less seasoned issues, vitiates to a certain degree the reliability of the old bond-yield yardstick.

Essential Characteristics of a New Guide

Granting the overwhelming evidence that a change is necessary at this time, just what are the qualifications for a new measuring stick to help the investor correctly evaluate common stocks under 1930 market conditions?

In the first place, the new method must not be too foreign to the old 10 and 15 times earnings rule so thoroughly imbedded in investors' minds, or it would be dubbed

at its very introduction as too revolutionary to receive general acceptance. Investors' habits of thought, when once established, are surprisingly difficult to change.

Secondly, it must be sufficiently flexible to apply not only to the many individual groups of stocks in the market; but also, to each individual group under changing market conditions.

Thirdly, it must be workable, practical and easily understood.

The combination of these exacting conditions practically demands a composite yardstick—sensitive enough to respond to the changing fundamental business, technical and money conditions—and yet sufficiently stable over a reasonable period of time to serve as a guide to the true worth of a corporation's capital stock.

A Five Part Index

The most satisfactory solution appears to be a composite index consisting of five parts—not equal to be sure, but of varying relative values as shown in the accompanying table.

Under item No. 1 is included the old familiar relationship between market price and earnings, so well established in the minds of investors. In the case of an individual stock being evaluated, a comparison of its price-earnings ratio with such old standards as the 10-to-1 ratio will be helpful in determining whether it measures up to the full 10% weighting allotted to this item in the composite.

Insofar as the past record is concerned—and it certainly is a sound guide as to the future and present worth of the security—it is all summed up in the 25% weighting for item No. 2. American Telephone, for example, with its exceptionally fine past record, might very conservatively receive a weighting of 80% on this one item, in comparison with the 25% allotted for the average stock. On the other hand, a new and unseasoned security would be allotted only 10 or 15% on this item. The items specifically to be considered in making up this weighting in a given case should include: (1) Ranking in the industry; (2) past dividend and earnings' record; (3) market sponsorship, its type and quality; and (4) the demonstrated ability of the management.

Under the third item is grouped a number of market factors that have to do with a study of the supply and demand for the stock in question. For example, is the particular group of which the given stock is a part, selling abnormally low on account of some special bear drive, or pool manipulation? Or has this particular stock that we are evaluating been subjected to unnatural manipulation that has driven it down or up, all out of proportion to the rest of the members in its group? Answering these questions will provide a guide as to how much more or less than the average weighting of 15% should be assigned in arriving at the final valuation.

The fourth item recognizes the great importance of money rates on all securities at a given moment. Money is one of the most important forces behind the market at nearly all times, and any composite yardstick that left out this factor would be subject to just criticism. Right now, with easy money prevailing, the weighting accorded to item No. 4 might well be 20, or even 25%. Last September, a weighting of 3 or 5% was sound. A consideration of the published rates for call money and for 60- to 90-day prime commercial paper is the foundation of the final weighting accorded this item.

Item No. 5 is, after all, the most important single consideration in evaluating a given common stock. Attention should be given to: The possibilities for natural progress in the industry—is it a horsewhip industry type, or does it possess the amazing possibilities of aviation; is competition reaching the cutthroat stage, or is there a natural monopoly; is the product a basic, fundamental one, or subject to style changes, waves of popular fancy, etc.; is the company's business subject to the law of diminishing returns, and is this becoming increasingly evident as the years pass by; and what is the position of the given company in the matter of future possible mergers and consolidations? Answering these questions should be of considerable help in determining the proper weighting—above or below the normal 40%—to assign to this factor in evaluating a given common stock's future possibilities.

New Yardstick Applied to Industrials

Let us see how the new yardstick actually works out when applied to important industrial common stocks; and in this way iron out at the very start any of the theoretical difficulties that the reader may imagine beset his path.

A convenient breakdown of the industrial averages gives us some forty separate groups of stocks; and as the application is very much the same in all cases, a group of ten of the best known industrial leaders have been selected for special attention, as being typical of the varied conditions

(*Please turn to page* 496)

The Composite Yardstick Applied to Well Known Industrial Stocks

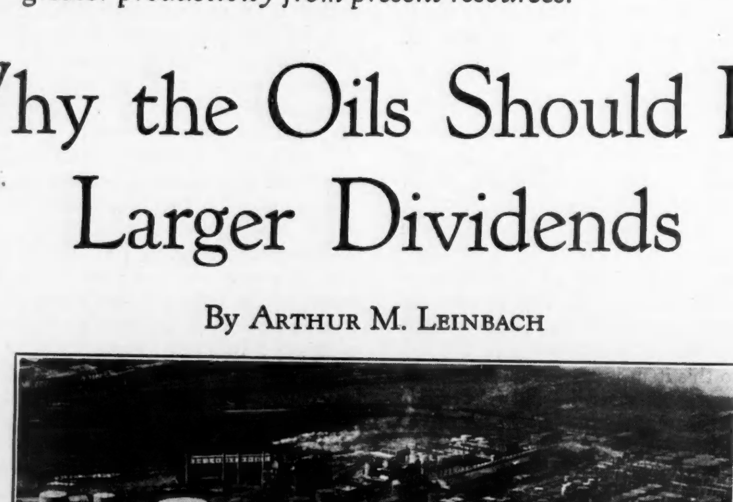
Stock	1 Price-Earnings Ratio (Weighting)	2 Past Record, Management, etc. (Weighting)	3 Current Technical Situation (Weighting)	4 Money and Credit (Weighting)	5 Future, Mergers, etc. (Weighting)	A Total Weighting (Sum of Items No. 1 to No. 5)	B Yardstick Evalution Under Present Conditions (Item "A") × (Current Earnings)
Normal Weighting (Average Conditions)	10%	25%	15%	10%	40%	100%	—
Allied Chem. & Dye..........	7	50	40	25	80	207	$270
American Can	10	40	30	25	60	165	182
Coca Cola	8	40	25	25	75	173	190
Drug, Inc.	12	35	25	25	50	147	85
Eastman Kodak	7	50	40	25	80	207	209
General Motors	6	35	35	25	50	151	60
Standard Oil of New Jersey....	10	50	35	25	50	170	81
Union Carbide	7	50	45	25	70	197	71
U. S. Steel..................	8	50	20	25	50	153	184
Westinghouse Electric	10	40	40	25	50	165	165

Recent years have witnessed a tremendous plowing back of oil company earnings into development and expansion.

Today that process is largely completed. Indeed the industry is admittedly over-capacitated, with science threatening still greater productivity from present resources.

Why the Oils Should Pay Larger Dividends

By ARTHUR M. LEINBACH



Ewing Galloway Photo

Huge Investments in Refining and Storage

THE parsimony of the oil companies in their dividend payments is almost as familiar a subject in the financial district as the mother-in-law joke on the vaudeville stage. Within recent years, the leading oil companies have been earning billions of dollars of profits. Yet they have plowed back a good many more millions into new properties than they have distributed to shareholders. By this time, oil stock investors have become accustomed to receive their relatively meager dividend checks with hopeful patience—looking forward to that Utopian period, always in the future, when their companies would distribute a larger share of their handsome profits.

Investing the Surplus

When any group of these investors take to grumbling about their small dividends, they are usually silenced by the claim—amply justified—that the surplus earnings of their corporation have been used to good advantage. Reinvestment of these surplus funds has assumed the form of new acreage, exploration of unproven fields, additions to crude supplies above and below the surface of the earth, modernization of refinery equipment and expansion of marketing facilities. To survive the fierce competition within the industry, the smaller producing concerns were forced to add refining and distributing property. The large refining companies, in turn, reinvested their surplus profits in the acquisition of producing property in order to assure themselves of a sure supply of crude oil in the years to come.

"Thoroughly integrated property" has become a watchword in the oil business—but this integration required the investment of many billions of dollars during the past few years. Furthermore, it has resulted in an admitted over capacity in practically every branch of the oil business. In spite of the growth of consumption at the rate of roughly 10 per cent a year, too much oil is being taken out of the ground, treated at the refineries and offered to buyers of the various petroleum products, to provide a satisfactory margin of profit. And now the more foresighted oil company executives are beginning to wonder whether they are faced at this stage of their growth by the law of diminishing returns when they come to make further reinvestment of earnings.

Thus the question arises, how much should a company pay out in dividends? Small investors usually favor generous dividends because they can use the income to good advantage themselves. Big investors, concerned with income tax payments are inclined to favor lower distributions, provided that the company can profitably reinvest its surplus earnings. And in this manner, more or less selfish interests have frequently determined the ratio of dividend payments. In the case of petroleum companies, however, economic factors are likely to become a determining influence in future dividend policies. Naturally, an industrial concern in a business that is consistently growing must maintain larger financial resources to finance its growth than, say, a railroad company in well-populated territory that requires little capital expenditure. And the traditional conservatism of oil company executives has been instilled by necessity for capital expenditures that their industry has required in past years.

Gasoline is and always has been the "money" product of the industry. In 1914, when automobile registrations had just passed the million mark, the consumption of gasoline ran about 30 million barrels a year. In 1929, gasoline consumption had increased twelvefold to over 370 million barrels, for use in some 25 million registered motor cars. In the past, it has been a paying proposition to make large expenditures in equipment and supplies for this rapidly expanding market. But the question now arises—is not the industry over-equipped and over-supplied for some years to come? Would it not be more profitable to pay large dividends to shareholders rather than investing surplus earnings in new property that, because of over-capacity, would cut down the earning power of the billions of dollars of assets already owned by the companies and capitalized by their outstanding securities? In other words, is not the law of diminishing returns beginning to operate against the earning power of oil company properties and hold down profit margins?

In the accompanying table, calculations of four years' earnings of six of the leading oil companies are presented to show the proportion of their profits distributed and the proportion reinvested in new assets. The period covered includes one notably good year (1926), one notably poor year (1927) and two fair years with growing output from the wells and refineries but with a generally weak price structure throughout the whole industry.

Important Write-Offs

It is significant, in the first place that before arriving at net profits, these six companies wrote off over a billion dollars in capital extinguishments out of their gross incomes. These deductions were represented largely by depreciation, depletion of surface and sub-surface crude supplies, that famous item of "intangible drilling costs" which is as vague and generous a charge against income as the name suggests, amortization of capital expenditures in wild-catting projects and other charges. The very nature of oil development risks has invoked a generous attitude in write-offs for income tax purposes, which the leading concerns take advantage of to the limit. In the intricacies of such bookkeeping, a huge source of undisclosed earning power is believed to be represented in this item, which over the period covered is as large as the reported net income of the companies.

Out of the reported net income of a little more than a billion dollars, moreover, almost a half a billion dollars was carried to surplus by these six companies. This covered a period in which for at least one year, dividends took up most of the reported earnings of the petroleum companies and many concerns were forced to pay dividends out of surplus. In the last few years, the ratio of dividends to earnings has been somewhat lower and some of the largest concerns are paying out only about one third instead of the fifty per cent indicated in this tabulation. The growth of assets between 1926 and 1929, shown in other columns, and the huge reserves for depreciation, depletion, etc., which these companies carried on their books at the end of 1929, gives the investor some idea of where the money went that he did not get in the form of cash dividends.

With what result? With the result that overproduction of crude has depressed petroleum prices in all fields and every section of the world where oil is produced. With the result that the leading companies are burdened with excessive storage above ground that so far has added little to income and has, in fact, incurred heavy carrying costs to be charged against profits. With the result that refinery equipment is larger than needed by the industry and oil refineries are rendered obsolete and idle. With the result that crowded and highly competitive retail markets are imposing high marketing and distributing costs which are not being paid by the consumer at current price levels for refined products. With the result that too much capital has been put into filling stations which not only tend to demoralize the markets for gasoline but add to the cost of retail selling. With the result that over-production generally is wasting a valuable natural resource of the country without providing an adequate return to the companies.

50 Per Cent Over-Capacity

Such a competent and disinterested authority as J. Elmer Thomas, chairman of Secretary Wilbur's Committee on Petroleum Economics, has recently stated that the oil industry, as now constituted, is over-built by 50 per cent. What is more, he adds the opinion that if all of the ambitious plans of the individual companies are carried out on schedule, the surplus construction of the industry would soon be increased to about 100 per cent. Thus the question of future reinvestment of surplus earnings of oil companies assumes far more economic importance than merely a question of whether or not shareholders should get a larger share of their company earnings. The real question now

(*Please turn to page* 500)

Reinvestments of Oil Companies

All figures express millions of dollars

	Four-Year Totals, 1926 to 1929 Inclusive				Fixed Assets in Plant (Before Depreciation and Depletion)		Reserves for Depreciation, Depletion, etc.	Profit and Loss Surplus
	†Capital Extinguishments	Net Income	Dividends	Surplus	1926	1929	12/31/29	12/31/29
Gulf Oil Co.	210.0	129.0	26.6	102.4	376.0	526.4	255.9	223.6
Standard of California	79.8	188.1	127.5	60.6	557.1	666.9	192.5	82.6*
Shell Union Oil	156.2	80.8	66.3	14.5	306.3	507.7	190.5	35.3
Standard of New Jersey	285.5	387.4	141.4	246.0	967.6	1,372.4	595.8	549.2
Standard of New York	151.4	122.6	106.0	16.6	670.7	815.0	346.2	84.7*
Texas Corporation	137.7	149.4	93.7	55.7	288.9	527.2	215.3	150.7*
Total Write-offs, Net Income and Distribution	1,020.6	1,057.3	561.5	495.8	....	....	....	....

* Earned surplus, not including capital surplus. † Reductions from gross earnings for depreciation, depletion, intangible, drilling costs, etc.

Things To

MODERN science and invention may soon demonstrate for the farmer, as it has already done for industry, that the margin of profit not infrequently is found in the by-products. Much that the farmer has heretofore thrown away is proving a valuable source of useful materials. From corn alone it is possible to produce not only the familiar products from the grain such as starch, glucose, sugar and the lacquer solvent which has revolutionized the paint industry; but from the stalks can be made paper and carbon black for ink, while the cobs yield a series of chemicals. In similar fashion oat and rice hulls are assuming new commercial significance for their potentialities of transformation into chemicals, rayon and other products. Cottonseeds not only yield the well known oil but the hulls have been found valuable in the production of a new sugar. The fibre from sugar cane is now widely used as an insulating and wall board material, and so it goes. It is conceivable the farmer may shortly find his much discussed economic relief lies in his own heretofore waste products.

* * *

Changing the Sugar Map

SPEAKING of sugar cane fibre, the use of this material has contributed to another development of even greater effect and which may prove a revolutionary factor in the sugar industry, not only in the United States but in the island dependencies and Cuba as well. A new type of cane has been developed, resistant to disease, productive of more and better fibre, and of high sugar content. It is possible to produce this cane in the Florida Everglades to the extent of yielding a million or more tons of sugar per annum. If this project is consummated and the Louisiana sugar bowl continues its recovery of former output, the sugar map of the world may undergo drastic revision with corresponding changes in investment prospects in both cane and beet production, at home and abroad.

* * *

New Uses for Rubber

WITH the heavy production of rubber continuing and with still larger sources of this material in prospect, it is to be expected that new uses should be sought for this material. Among the more recent suggestions is that of rubber pavement. Experiments with rubber floors have proved highly successful in relieving fatigue and with rubber now hovering around the 14-cent level, rubber pavement becomes more than a fantastic dream. In addition to the contribution to human comfort which would result, it would also afford a highly desirable bulk outlet for the rubber companies in the utilization of low grade rubber.

* * *

Overproduction and Prices

THE world at peace is apparently capable of producing in excess of its normal wants. The present depression which we have been experiencing in the United States is by no means confined to us, but is world-wide in character and from a survey of available statistics in all of the leading countries, it becomes apparent that the common cause is overproduction, resulting in flooded markets and falling commodity prices. Although price declines have varied in intensity in the different nations, all of them have evidenced a descending tendency since the middle of last year. The net result has been rather general hesitation in the forward purchase of goods. Revival of commercial and industrial conditions is almost entirely predicated on the arrest of falling prices. In this regard it was brought out at the International Labor Conference recently held in Geneva, that the new world, meaning largely the United States, will in all probability recover more rapidly than Continental Europe. On the other hand, it is difficult to imagine true recovery in the United States when European powers are reluctant to purchase American commodities. With the harvest approaching, this applies particularly to agricultural commodities. In other words, the critical period will be when the crops are marketed and the world at large again expresses a willingness or a capacity to again resume maximum consumption.

* * *

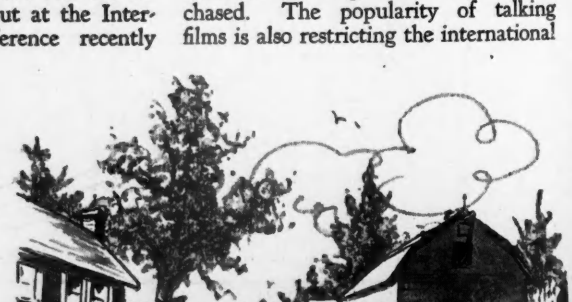
Hail the Poplar

AN interesting achievement of great moment to the paper industry, lumber producers and incidentally to the conservationists, is the recent development of a new species of hybrid poplar. This remarkable tree achieves a trunk diameter of 8 inches in 8 years. Given a thousand acres of land and proper rotation of harvesting and planting, a moderate sized paper mill could run continuously on the pulp wood production from this tract alone. It is further claimed that farm land given over to the production of this wood would afford the grower a greater yield per acre than if the land was utilized for either wheat or corn. This is obviously the most practical form of forest conservation that has been put forth thus far.

* * *

American Films Abroad

IN the general tendency abroad to boycott American goods, the American movie film stands in a most unfavorable position. Under the "quota system" several European nations insist that for so many American films admitted a foreign film must be purchased. The popularity of talking films is also restricting the international



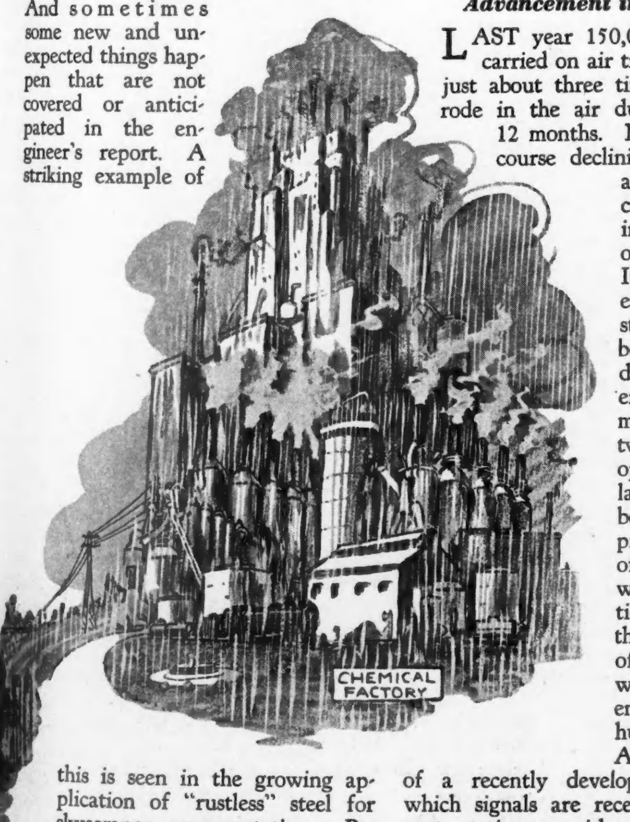
Think About

character of film markets and must in the long run have a decided bearing on production costs.

* * *

Practical Test of Research

WHENEVER a new product comes on the market, prospective buyers at once raise the question—"How will it stand up in constant use?" The producer anticipates the question, of course, and has his answer ready. His reply is an impressive engineering report. Under certain test conditions, the product has done this and that. And then follows an extensive list of facts and figures, all based on authentic laboratory tests and "trials" that simulate as nearly as possible the operating conditions under which the product will be used. But a product whose life is indicated in terms of years, has been tested perhaps over periods of weeks. And sometimes some new and unexpected things happen that are not covered or anticipated in the engineer's report. A striking example of this is seen in the growing application of "rustless" steel for skyscraper ornamentation. Because of the bright shining surface of the metal, brilliant effects are produced on some of the newest skyscrapers. And, as this metal has been shown under laboratory conditions to be virtually impervious to corrosion, the use of this new metal is expected to obtain lifelong brilliance. The recent report of a noted metallurgist throws up a new problem, however, for builders who are using this product. He finds that smoke and soot in our cities carry particles of sulphates and chlorides which act slowly on this corrosive-resisting metal, unless removed at regular intervals. As he states it, skyscraper towers ornamented with this metal, "will have to have their face washed once in a while" to prevent such corrosion. All of which looks like a new field of employment for steeple-jacks and thrilling diversion for our metropolitan urbanites, who seem to enjoy watching outdoor work on the sixtieth or seventieth story.



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Advancement in Aviation

LAST year 150,000 people were carried on air transport lines, or just about three times as many as rode in the air during the previous 12 months. More recently of course declining business has adversely affected commercial flying in common with other industries. It has not however arrested the strides which are being made in the direction of greater safety. Communication between a plane operator and the landing field has been vastly improved by means of radio, and with the adaptation of television, the guiding vision of the man at the wheel has been enhanced several hundred times. Also by means of a recently developed system by which signals are received from separate stations on either side of a landing field, it is now practical to guide a ship to earth through darkness, overhanging fog or other conditions of low visibility. Meanwhile, the steady advancement of the helicopter principle is contributing toward an increasing degree of vertical take-off and descent. All of these advancements are particularly encouraging in that they tend to reduce the hazards which have been the greatest obstacles in the way of the rapid commercial adoption of aviation.

* * *

High Cost of Transmission

DURING the past seven years the investment per customer has increased nearly 40% in the electric power industry, and now stands at about $96. This increase is largely attributable to the expanding costs of distribution. In other words, while the capital investment in power plants has actually decreased during this period, the investment in transmission facilities has increased slightly more than 40%. Of course this is in some degree due to the concentration which has gone on in the electric industry. More and more has the small independent or privately owned power plant given way to larger systems with large central generating stations. It also explains in some degree why the development of potential water power has not gone forward more rapidly. Today, scarcely more than one-sixth of the possible hydro-electric energy of the country has been utilized.

* * *

A Problem for the Steel Industry

THE supply of high grade iron ore on the American Continent is more limited than is commony realized and the steadily increasing consumption by the steel industry will result in a serious supply problem, before many years. As the high grade and cheaply workable deposits are exhausted, steel interests will be forced to import high grade ores or resort to the utilization of hitherto neglected low grade ore bodies, which exist in considerable abundance. It is estimated that the maximum production in the Lake Superior deposits, which for quality and extent are matched only by the huge ore bodies in Brazil, will be passed within the next 15 years. After that time, the resources of the steel industry will be taxed in order to keep down cost of production of iron and steel products.

Speculations in Bonds

Overlooked Issues of Sound Companies Offer Attractive Yield and the Promise of Higher Prices

By RONALD P. HARTWELL

The word "speculation" is not commonly associated with bonds, nevertheless it is occasionally justified, particularly when used in the sense of describing bond purchases which, while entailing more risk than is involved in the highest grade issues, are correspondingly more attractive for ultimate price appreciation. This issue contains five such bonds which offer attractive income in addition to prospective higher prices.

BONDS are not ordinarily considered as possessing possibilities of any great amount of appreciation, unless perhaps they are convertible into equity shares or have attached to them warrants to purchase common stock. Nevertheless aside from this latter class of bonds, there are frequently situations in the bond market which offer attractive opportunities for enhancement in price. Bonds of this description fall into two classes, namely, those which might be termed medium grade investments which are the obligations of sound companies but either are not yet thoroughly seasoned or because of temporary unfavorable conditions in the securities market, or simply because they are neglected, are selling at an abormally low price, and secondly, those bonds which are obligations of companies in doubtful financial or profit making position but which give promise of substantial improvement or which will benefit from some plan of reorganization, readjustment or acquisition by some stronger company.

The latter type of bond is fraught with danger for the average investor, with the chances heavily against his profitable operation of a trading account in such bonds. Insiders or the bankers would know before anyone else if improvement in the position of the bonds will occur as a result of their negotiations, and by the time the man in the street hears the favorable news, the bonds have already risen sharply in price, discounting the improved position. The average security buyer's only other chance is to buy such bonds blindly on the hope that they are discounting the worst and that their subsequent improved position will be reflected in higher prices. In other words, the operation is a pure gamble, and rather a poor one at that.

Better and safer opportunities for appreciation are presented in that class of bonds which are selling below their intrinsic worth because of special conditions, such as lack of seasoning, poor distribution of a temporary nature, thin markets, or because the price level is abnormally low on account of general conditions in the securities markets. Neglected bonds of this description sooner or later are taken in hand, affording those who purchased previously to take a handsome profit in addition to obtaining a yield considerably above the average in the meantime. The bonds of this type are generally of medium grade, and because of the special conditions mentioned above will be subject to some degree of fluctuation in price. A commitment, therefore, should only be made with this fact fully in mind. The list of five bonds given here are a few which fall into the category outlined above and which are believed to possess attractive opportunities for eventual price enhancement.

Denver & Rio Grande Western Gen. 5s, 1955

This issue is the junior funded obligation of Denver & Rio Grande Western R. R. Co., but the special attraction which it holds out for the purchaser is that in addition to being an intrinsically sound investment, possesses unusual features from the standpoint of potential profits. Specifically, this lies in connection with the arrears in interest thereon, aggregating 25%, as a result of the provision that for the first five years of their existence the bonds were to be income bonds, with interest payable only in the discretion of the management, and not to be mandatory as a regular fixed charge until after February, 1929.

Issued originally in 1924 under a plan of reorganization, following the receivership of the predecessor road, interest payments, although now regularly disbursed in accordance with indenture provisions, were withheld entirely during the option period, in spite of having been earned by ample margins in every year since 1924. In consequence of this conservative policy, the road has built up a comfortable position financially, developed a satisfactory earning power on its scaled down capitalization, and made an effective recovery in general.

The main line extends from Denver, Colorado, to Salt Lake City and Ogden, Utah, but more important than the actual physical layout is its position as a link between Missouri Pacific and Western Pacific, which two roads own jointly the entire common stock of Denver & Rio Grande Western, thus opening the way for a new transcontinental line, and the pending acquisition of Denver & Salt Lake, carrying with it control to the Van Sweringens' has increased the chances for some action in regard to liquidation of interest arrears on this particular issue of bonds.

Payment of these arrears is not mandatory, but is necessary before Missouri Pacific and Western Pacific can

receive any return on their investment in the common stock. To accomplish this would require the liquidation of the 25% arrears in full or the retirement of the bonds at their redemption price of 105, either of which alternatives would mean a substantial profit to the purchasers at the current price, and with but slight chance of disadvantage in any event in view of the quality of the issue.

Utilities Power & Light Corp. 5s, 1959, with Warrants

By reason of its low current price and through the option warrants to purchase equity stocks of the company, this particular issue offers two distinct opportunities for price enhancement. The issue was brought out early in 1929 at 98, and the current low price of 82 reflects chiefly incomplete distribution of the bond rather than any significant change in the position and earning power of the company. The rapid expansion of the Utilities Power & Light system particularly in the last few years has involved the issuance of a large amount of securities, having a temporary heavy effect on the market for its issues but which with more seasoning and better conditions in the general market, will no doubt sell at a price to reflect more nearly their intrinsic value.

Utilities Power & Light Corp. was organized in 1915 as a holding company and up until the time of the acquisition of the British properties last year confined its operations almost entirely to the United States. The domestic properties are grouped into eight major subsidiaries which are rather widely scattered bearing little or no physical relationship to each other. The geographical diversification that results therefrom does, however, offer tangible advantages to the investor through greater stability of income. Utilities Power & Light is now a $400,000,000 system, providing 800,000 customers in the United States, England and Canada with essential public utility services principally electric. Total population of the territory served is approximately 6,000,000.

Gross income of the system for the twelve months ended March 31st, 1930, amounted to $52,674,573, leaving operating profit after expenses and taxes of $23,822,607. Other income was $3,760,315 and after deducting depreciation and federal taxes there remained $22,664,832, equivalent to 1.55 times the total fixed charges and subsidiary dividends including this issue of debentures. Considering only the holding company, the earnings were sufficient to cover interest charges 3.74 times. Both of these ratios indicate a large measure of safety for this particular issue of 5% debenture bonds.

Associated Gas & Electric Conv. 4½s, 1949

This is another issue which is selling considerably below its intrinsic worth chiefly because of incomplete distribution but which with seasoning should sell at considerably higher levels. The present price of about 73 compares with the original offering price of 95 in January, 1929. Another factor which may carry the bond to higher levels is the conversion feature operative to March 1st, 1932, entitling the holder to exchange each $1,000 bond for 17½ shares of the company's Class A stock.

These debentures, while not secured by a mortgage, are the direct obligation of the company and are protected by an indenture provision that the company will not pledge any of its property without ratably securing these bonds. The Associated system now has combined assets of over $1,000,000,000 and is one of the country's major public utility companies. Growth has been both internal and through large scale acquisitions, with present properties in territory which is well diversified both geographically and as to type of activity. In the Eastern field, the system has worked itself into a strong position.

The chief services rendered are electricity and gas, which together produce approximately 94% of the total gross revenues. Varying type of services are provided to over 1,250,000 customers in more than 2,300 communities principally in New York and Pennsylvania, but also to thirteen other states, in Canada, and in the Philippine Islands. The most recent earnings report shows gross revenues including other income of $103,846,695 for the twelve months ended April 30, 1930. For the year 1929 total interest and subsidiary charges were earned 1.68 times after depreciation, while considered only from the viewpoint of the holding company, interest charges were covered 2.20 times. The former ratio is the more significant of the two and indicates a conservative margin for the fixed charges.

The Associated Gas & Electric Co. bonds are in a stronger position than is generally realized because the policy for some years has been to retire wherever possible all subsidiary company securities and finance on the holding company, a process which brings the Associated bonds steadily closer to the properties.

Armour & Co. of Del. Guar. Series "A" 5½s, 1943

These bonds are the secured obligation of the principal subsidiary of Armour & Co. of Illinois, the parent company of the Delaware company of the same name, and which guarantees payment of both interest and principal of these bonds. Outstanding in the amount of $60,000,000, this issue is secured by a direct first

Five Attractive Bonds for Price Appreciation

Name of Bond	Times Interest Earned	Recent Price	Yield Current	Yield To Maturity
Denver & Rio Grande West. Gen'l 5s, 1955*	1.68	93	5.38	5.58
Utilities Power & Light Deb. 5s, 1958 (with warrants)	1.44	82	6.10	6.38
Associated Gas & Electric Conv. Deb. 4½s, 1949	1.70	72	6.25	7.22
Armour & Co. (Del.) 1st Guar. 5½s "A," 1943	1.89 (1)	82	6.71	7.65
Altoona & Logan Valley Elec. Ry. Cons. 4½s, 1933 (Guar.)	1.56 (2)	85	5.29	9.65

* Initial interest payments made on coupon 11; accrued interest to date 25% (coupon 1-10). (1) Earnings of Armour & Co., Ill., year ended November 2, 1929—Guarantor Company. (2) Earnings of National Public Service Corp. (guarantor) on all funded debt and prior charges.

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Recent Price	Current Income	Yield to Maturity
Panama 5½s, 1953....................(a)	....	...	102½GT	102	5.3	5.3
Norway 40-yr. ext. 5½s, '65............	....	...	100F	103	5.4	5.4
Dominican 5½s, 1942 ....(a)	....	...	101G	95	5.7	6.1
Haiti 6s, 1952 ....(b)	....	...	100	94	6.3	6.5

Railroads

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Recent Price	Current Income	Yield to Maturity
Atchison, Top. & S. F. Conv. 4s, 1955..	273.3	5.68	110	91	4.4	4.6
Pennsylvania 5s, 1964	....	4.54	102T	104	4.8	4.7
Illinois Central 4¾s, 1966..............	....	1.85	102½GT	100	4.7	4.7
Central Pacific Guar. 5s, 1960.......(a)	....	2.72	105GT	104	4.8	4.7
Rock Island-Frisco Terminal 1st 4½s, 1957 ....(d)	....	X	102½T	95	4.7	4.8
Southern Railway Dev. & Gen. 6s, 1956	133.8	2.23	....	116	5.1	4.8
Great Northern Gen. A 7s, 1936.....(b)	139.8	2.41	....	110	6.3	4.9
Missouri Pacific 1st & Ref. 5s, 1977.(a)	94.6	1.70	105A	100	5.0	5.0
N. Y., Chic. & St. L. Ref. 5½s, 1974.(a)	58.8	2.21	105	107	5.1	5.0
Central of Georgia Ref. 5½s, 1959......	30.9	1.57	105AG	105	5.2	5.1
Chic. & W. Indiana 1st Ref. 5½s, 1962.	49.9	X	105	104	5.2	5.2
Nor'n Pacific Ref. & Impr. 6s, 2047.(a)	165.6	2.48	110G	113	5.2	5.2
Wabash Ref. & Gen. 5½s, 1975......(a)	61.6	2.08	105AG	103	5.3	5.3
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 ....(b)	14.2	X	107½T	108	5.5	5.3
Western Pacific 1st 5s, 1946.........(b)	....	1.25	100	96	5.2	5.4
Balt. & Ohio Ref. & Gen. 6s, 1995..(a)	285.3	2.03	107½AG	109	5.4	5.4
Minn., St. Paul & S. S. M. 1st 4s, 1938	....	1.58	....	90	4.4	5.5
Cuba R. R. 1st 5s, 1952.................	5.4	3.12	....	76	6.5	7.1

Public Utilities

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Recent Price	Current Income	Yield to Maturity
Pacific Gas & Elec. Gen. Ref. 5s, 1942.	29.0	2.26	105T	102	4.8	4.7
Columbia Gas & Elec. Deb. 5s, 1952...	....	4.62	105T	102	4.9	4.8
Montana Power Deb. 5s, 1962.......(a)	33.3	3.14	105T	102	4.9	4.9
Consol. Gas of N. Y. Deb. 5½s, 1945.(a)	191.1	5.40	106T	106	5.2	4.9
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.87	....	100	5.0	5.0
Utah Power & Light 1st 5s, 1944......	....	2.83	105	100	5.0	5.0
Detroit Edison 1st & Ref. 6s, 1940..(b)	14.0	3.27	107½T	107	5.5	5.0
Hudson & Manh'n 1st Ref. 5s, 1957.(b)	5.9	2.76	105	99	5.0	5.1
Arkansas Power & Lt. 1st & Ref. 5s, 1956 ....(c)	2.0	2.45	105	98	5.1	5.1
Postal Tel. & Cable Co. Tr. 5s, 1953...	0.6	2.08	105	92	5.4	5.6
Amer. W. Wks. & El. Deb. 6s, 1975.(a)	12.7	1.53	110	106	5.6	5.6
Northern Ohio Tr. & Lt. Genl. & Ref. 6s, 1947, "A"......................(a)	8.4	2.20	110	104	5.7	5.6
Seattle Electric—Seattle Everett 1st 5s, 1939 ....(d)	....	1.98	105	99	5.2	5.7

Industrials

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Recent Price	Current Income	Yield to Maturity
Allis Chalmers Deb. 5s, 1937.......(a)	....	6.29	103T	102	4.9	4.6
Youngstown Sh. & Tube 1st 5s, 1978.(a)	....	6.86	105T	102	4.8	4.8
Gulf Oil Deb. 5s, 1947...............(c)	....	13.04	104AT	101	4.9	4.9
International Match Deb. 5s, 1947...(a)	....	9.81	109T	99	5.0	5.0
Sinclair Pipe Line 5s, 1942.........(a)	....	5.33	103	98	5.0	5.1
Amer. Cyanamid Deb. 5s, 1942........	0.3	10 58	100	98	5.1	5.2
Chile Copper Deb. 5s, 1947..........(a)	....	10.20	102T	94	5.3	5.5
National Dairy Prod. Deb. 5¼s, '48.(a)	0.6	10.40	103½	96	5.4	5.5
B. F. Goodrich 1st 6½s, 1947......(a)	....	3.61	107A	107	6.1	5.9

Short Terms

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Recent Price	Current Income	Yield to Maturity
Amer. Cotton Oil 5s, May 1, 1931.....	....	10.47	105	100¼	4.9	4.3
Humble Oil & Ref. Deb. 5½s, '32..(b)	....	13.59	102½A	102	5.3	4.6
N. Y., Chic. & St. Louis 2nd & Impr. 6s, May 1, 1931....................(a)	17.1	2.21	102	101½	5.9	..

Convertible Bonds

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Recent Price	Current Income	Yield to Maturity
Baltimore & Ohio Conv. 4½s, '60...Com.@120(h)		2.03	105	99	4.5	4.6
Atch., Top. & S. F. Deb. 4½s, '48..Com.@166.6		5.68	102	124	3.6	..
Inter'l Tel. & Tel. Deb. 4½s, '39..Com.@63.9		3.07	102½	110	4.0	..
N. Y., N. H. & Hart. 6s, '48......Com.@100		2.39	....	120	4.9	..
Chesapeake Corp. Col. Tr. 5s, '47..C&O@196		2.84	100	100	4.9	..
Amer. Inter'l Corp. Deb. 5½s, '49..Com.@80		1.49	105	94	5.8	5.9

All Bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100.

A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. F—Not callable until June 1, 1935. (h) Convertible after February 1, 1930.

mortgage on properties valued in excess of $96,000,000 and is additionally secured by the deposit of all of the first mortgage bonds on many other properties. The Delaware corporation controls a large part of the properties in the United States and all of the South American and Cuban properties.

Although the industry has not been exceptionally prosperous in recent years, Armour & Co. has improved its position steadily for a number of years. For instance, net working capital on November 2nd, 1929, amounted to $99,290,708 the highest in at least six years, and the ratio of the current assets and the current liabilities was better than six to one. The funded debt and the outstanding preferred stock, moreover, are steadily being reduced, last year $2,208,100 of bonds and $648,700 preferred being retired.

The margin of profit in the meat packing industry is exceptionally small, the companies depending on the rapidity of turnover for a satisfactory showing. The gross business for Armour for the fiscal year ended November 2nd, 1929, was in excess of $900,000,000 but net profits after depreciation were only $20,743,593, indicating a margin of profit of only 2.3%. Armour's depreciation charges are exceptionally liberal, amounting to approximately 4% on the total fixed assets, and having been in effect for many years, it is probable that the actual value of the properties is considerably in excess of the book values.

While the strength of the bonds lies chiefly in the factor of earnings, Armour has been able to cover interest requirements even in decidedly unfavorable years. The year 1927 was a case in point when the packing companies were obliged to take a large inventory loss together with heavy losses in their South American operations, and during this period Armour was able to cover fixed charges slightly more than once. The average for the last six years, however, shows interest earned approximately 1.9 times. While a certain degree of risk is involved in purchasing the Guaranteed Series "A" 5½s of 1943, they may be considered a seasoned bond and attractive to the individual in a position to wait for an improvement in the general market conditions.

Altoona & Logan Valley Elec. Rwy. Cons. 4½s, 1933

This bond is an opportunity among the unlisted securities, maturing in about three years and giving an excep-

(Please turn to page 510)

RAILROADS

SOUTHERN PACIFIC CO.

A Railroad That Never Has Defaulted

Current Price and Liberal Dividend Place Shares on Bargain Counter as an Investment

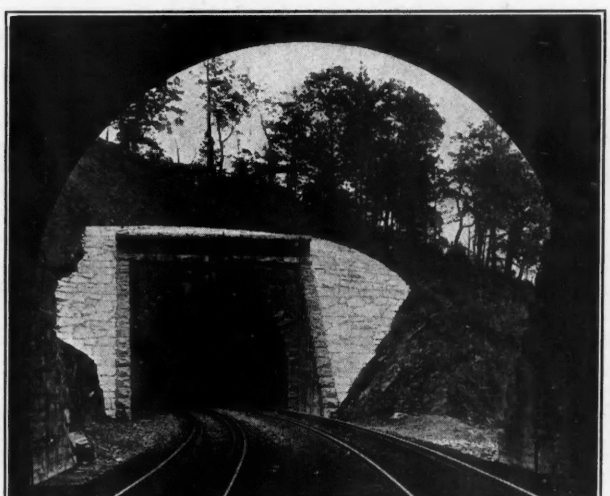
By Harvey H. Hoskins

A RAILROAD that never has defaulted on a fixed obligation.

This means that it never has acknowledged insolvency and gone into receivership. Truly an enviable record for a railroad or business of any kind, particularly for one that has experienced all the financial ups and downs of around 70 years.

While the declaration with which this article begins is not the official slogan of the Southern Pacific Co., it might well be. The statement is true of it, but is limited to scarcely more than one of the other now large and prosperous railroads of the West, and of various other sections of the United States. Strange to say, the outstanding exception in the West is the Great Northern, which, with Western Pacific, is to become a competitor, to some extent, of Southern Pacific in certain California territory—an area which the latter has developed and previously occupied exclusively.

In the 90's, Union Pacific, which received valuable land grants from the Government, and which at the height of E. H. Harriman's domination in the railroad world, owned control of Southern Pacific, went into receivership. The property was successfully reorganized, extensively improved and developed under Harriman's administration by the pouring in of millions of dollars; with the result that for some years it has been not only one of the great railroad systems of the United States, but also a virtual investment trust owning thousands of shares of other railroads, worth many millions of dollars, and on which a large income is received by the company annually.



Tunnel on Southern Pacific Lines in California

Atchison, for a long time acknowledged to be one of the best and strongest railroads in this country, also succumbed under the weight of heavy obligations that it was unable to meet, and likewise was reorganized in the late 90's. Northern Pacific went through the same experience at about the same time, and both properties have been particularly strong ever since.

Probably no railroad that today occupies a commanding position among the railroads of the United States had more severely trying experiences in its pioneer period than did Southern Pacific. Unquestionably no one of these railroads in those days, or at any time in its history, ever borrowed so much money as did Southern Pacific. It got help from every financial institution in New York City and outside of it, wherever it could be obtained. Literally Peter was robbed to pay Paul; but, in spite of all these obstacles, both Peter and Paul, and everybody else, were paid.

That this wonderful feat was accomplished was due chiefly, for a considerable period of years, to the outstanding personality and unfailing courage and determination of one of the greatest railroad builders of this country, Collis P. Huntington. He never lost faith in the Southern Pacific, even in its darkest days, the center of which was the panic period of 1893, and the years that followed, until the first election of William McKinley in 1896, and the downing of the 16 to 1 silver fallacy. Then the tide turned for Mr. Huntington and Southern Pacific, as he was able to sell, at reasonable prices, millions of bonds that had been pledged as collateral for almost endless loans, but for which there had been no market.

In its darkest days when Southern Pacific owed millions upon millions of

borrowed money, it had all bonds and other collateral available pledged as security. It is even authoritatively stated by a former associate of this great railroad leader that a well-known international banking house in New York City that was closely allied with the Southern Pacific in those days, loaned Mr. Huntington $2,500,000, with only his New York home as security. Not only this, but the statement is made on the same authority that often Mr. Huntington contributed out of his private funds toward the payment of Southern Pacific obligations and even compelled trades people to wait in order that the company's creditors might be paid promptly. They came first with him.

Out of such a beginning, involving a financial struggle regarding which there are only a few men living today with first-hand knowledge, and the magnitude and severity of which it is difficult even to imagine, has come the great and powerful Southern Pacific system of today, with nearly 14,000 miles of operated road. The Southern Pacific stock traded in on the New York Stock Exchange is that of the Southern Pacific Co. incorporated under Kentucky laws, March 17th, 1884. Taking account of the $200,000,000 additional stock approved by the stockholders last April, this company has an authorized share capital of $594,451,800, par $100, of which $372,381,805 is outstanding, according to the latest available records.

Serves a Vast Area

Southern Pacific Co. is what is known as a holding company, but it is also an operating company, operating in its own name about 9,000 miles of road. It controls by stock ownership or by lease, and operates, one of the most extensive transportation systems in the United States. As already noted, Southern Pacific operated 13,688 miles of road in 1929. Those lines, or the Southern Pacific system of railroads, extend from San Francisco to New Orleans; thence by steamship to New York; together with lines from San Francisco to Portland, Oregon; Ogden, Utah, and many other branches. For some years Southern Pacific has owned or controlled an extensive system of electric lines in California, and more recently has gone into motor bus transportation on a large scale. Then, too, a line has been built and is in operation from the Arizona border to Guadajalara, Mexico; whence, by means of a trackage agreement with the National Railways of Mexico, Southern Pacific is able to conduct a through service from all important points on its vast system in the United States to Mexico City, the capital of that Southern republic.

Right here it should be suggested that, with this far flung system geographically, and with the many kinds of transportation service it has in operation, and its wide diversity of traffic, earnings come from a great variety of sources. Under such conditions it is extraordinarily well protected against a general failure of business on its lines.

Earnings At Peak In 1930

But to return to the figures giving a rough idea of what the Southern Pacific of today really is, what it has done, is doing and can do. Those nearly 14,000 miles of operated road produced $310,969,138 gross earnings in 1929—a new high record, topping the previous record figures of 1928 by $10,865,111. Net railway operating income last year totaled $59,741,860; and gross income $77,613,675 (the latter figure includes $17,852,215 of income from sources other than operation). Net income, or the amount applicable to dividends, was $47,434,930. After the payment to its stockholders of dividends at the rate of $6 a share per year, an amount totalling $22,342,900, there was a surplus of $23,522,398 against only $15,110,016 in 1928.

Net earnings for 1929 were equal to $12.99 a share compared with $10.71 in 1928. For 1930, even with material improvement in earnings during the last half of the year, it will not be possible to reach even the 1928 figure, and perhaps not that for either 1926 or 1927. More likely it will be nearer 1925.

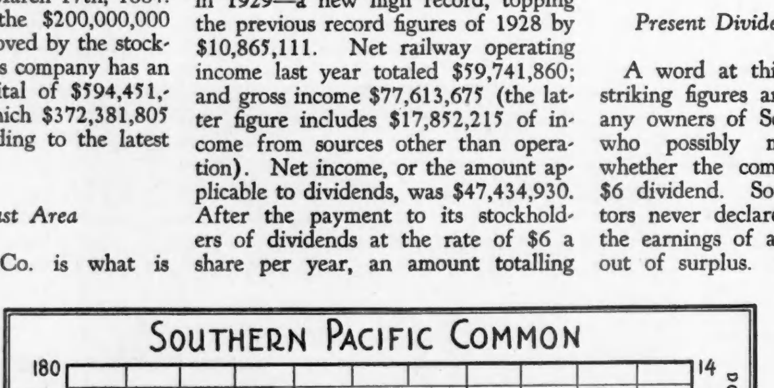
So much for earnings. Let us take a glance at the balance sheet as of December 31st, 1929. That document always shows what a railroad has, or has not, laid away for "a rainy day." Only a few figures are needed to demonstrate clearly that Southern Pacific is well fortified for many a day of that kind. We find total assets of $2,277,720,543—very much more than a two billion dollar corporation.

Reference has been made to the large number of companies owned or controlled by the Southern Pacific Co. At the close of last year it had no less than $650,303,595 invested in affiliated companies. There was plenty of cash in the treasury—$28,359,732; current assets as a whole amounted to $83,318,117 against current liabilities of only $46,533,470, leaving working capital on December 31st, last, of $36,784,467—a very tidy sum. Profit and loss surplus had reached the vast amount of $451,337,869; while total corporate surplus had amounted to $511,803,998.

Present Dividend Appears Safe

A word at this point, while these striking figures are fresh in mind, to any owners of Southern Pacific stock who possibly may be wondering whether the company is earning its $6 dividend. Southern Pacific directors never declare a dividend out of the earnings of a specific period, but out of surplus. Obviously if Southern Pacific should not earn a dollar for its stock this year the regular dividend could be paid without making more than a small dent in the accumulated surplus to which attention has been directed. As a matter of fact, there is every reason to expect that, notwithstanding the big decreases in gross and net earnings so far this year, the full dividend will be more than earned.

Speaking of dividends, a noteworthy side-light on the expenses of operating a railroad system of the size of the Southern Pacific today may be had from the single statement that, against the $22,342,900 paid in dividends to its stockholders, Southern Pacific in



1929 gave up $25,168,583 in taxes to the Federal Government and to the governments of the various states through which its lines are operated. In other words, nearly $3,000,000 more was paid for taxes than for dividends.

A broad, aggressive, but conservative policy always has characterized the management of Southern Pacific. This was true even back in Collis P. Huntington's time—except possibly with respect to borrowing money. In the last ten years Southern Pacific has carried forward a comprehensive program to develop territory naturally belonging to it, to meet competition and to reach out into new territory—the latter notably in Mexico. That particular line has had many obstacles to encounter, chiefly in the way of revolutionary activities, but in spite of them, and heavy damage therefrom to the property, a good showing was made for 1929, and the results should be better this year, as political conditions have been quiet. Most of the other new lines built by the Southern Pacific in the last five to ten years are giving a good account of themselves in the way of net earnings.

Playing Safe with the I. C. C.

Southern Pacific has pursued a particularly wise policy with respect to the troublesome question of railroad consolidation. Promptly after the I. C. C. brought out its tentative plan some years ago for placing the railroads of the United States into a limited number of geographical groups, its management notified the Commission that, while it had no desire to go into comprehensive consolidation plans which would take the company out of its territory, yet it would not oppose the Commission on its plan, but would go as far as appeared reasonable in trying to take the roads that might be allocated to it.

Southern Pacific officers and directors have an abiding faith in the virtue of the proverbial "ounce of prevention." When the Van Sweringens brought out their first Nickel Plate plan, it was gone through with "a fine tooth comb" by Southern Pacific's legal department, with the result that the latter reported that the outstanding feature of weakness of the whole plan was the attempt to put together several railroads at one time. That very wise legal department recommended that if Southern Pacific did anything in the way of consolidation, only one company should be taken over at a time. This excellent advice was rigidly followed, with the best of results. The principal properties acquired in the meantime have been: first, El Paso & Southwestern from the Phelps Dodge

(*Please turn to page* 488)

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1927	1928	1929	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	133.40	133.73	182.20	No	85	4.7
Atchison, Top. & S. Fe	5 (N)	40.47	40.21	49.18	No	104	4.8
Union Pacific	4 (N)	39.85	46.32	49.48	No	83	4.8
Baltimore & Ohio	4 (N)	38.44	49.44	48.87	No	80	5.0
Colorado & Southern 1st	4 (N)	57.76	49.45	41.72	No	78	5.1
Pere Marquette Prior	5 (C)	64.08	75.60	55.50	100	97	5.2
Southern Railway	5 (N)	36.17	32.11	30.21	100	95	5.3
N. Y., Chicago & St. Louis	6 (C)	20.31	17.68	20.49	110	109	5.5
N. Y., New Haven & Hart	7 (C)	22.05	34.40	45.47	115	116	6.1
Kansas City Southern	4 (N)	9.04	14.01	16.02	No	65	6.2
Colorado & Southern 2nd	4 (N)	53.76	45.46	37.72	No	63	6.4
**St. Louis, San Francisco	6 (N)	15.28	17.44	20.76	115	93	6.5
Wabash "A"	5 (N)	6.87	9.24	11.32	110	71	7.0
Missouri, Kans. & Tex	7 (C)	13.06	16.34	14.31	110	98	7.1

Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1927	1928	1929	Redeemable	Recent Price	Yield %
Public Service of New Jersey	8 (C)	§16.28	20.92	19.04	No	152	5.2
Engineers Publ. Serv. (w. w.)	5½ (C)	....	8.79	17.65	110	99	5.5
North American Co.	3 (C)	31.74	40.22	47.48	55	54	5.6
Columbia Gas & Electric "A"	6 (C)	25.42	30.78	33.95	110	105	5.7
American Water Works & El.	6 (C)	24.30	31.05	39.11	110	105	5.7
Philadelphia Co.	3 (C)	28.06	21.75	27.58	No	52	5.8
Hudson & Man. R. R. Conv.	5 (N)	40.70	37.02	42.89	No	83	6.0
United Corp.	3 (C)	....	....	4.66	55	49	6.1
Federal Light & Traction	6 (C)	39.67	49.93	51.72	100	97	6.2
Standard Gas & Electric	4 (C)	16.76	14.07	20.39	No	63	6.4
Electric Power & Light	7 (C)	16.21	17.00	19.03	110	107	6.5
Amer. & Foreign Pow. 2nd	7 (C)	3.58	5.33	8.82	105	93	7.5
Postal Tel. & Cable	7 (N)	....	7.19	9.74	110	90	7.8

Industrials

	Div. Rate $ per Share	Earned $ per Share 1927	1928	1929	Redeemable	Recent Price	Yield %
Case (J. L.) Thresh. Mach	7 (C)	38.43	32.59	35.06	No	127	5.5
Mathieson Alkali Works	7 (C)	74.06	84.50	93.91	No	127	5.5
Bethlehem Steel Corp	7 (C)	16.32	19.16	42.24	No	125	5.6
Stand. Brands, Inc., Cum. A.	7	125.34	123.40	129.41	120	119	5.8
Brown Shoe	7 (C)	44.12	85.27	44.11	120	117	6.0
General Cigar	7 (C)	67.32	62.81	85.92	No	116	6.1
Bush Terminal Buildings	7 (C)	‡	‡	‡	120	115	6.1
Bucyrus-Erie	7 (C)	....	39.34	48.31	120	113	6.2
Radio Corp. of Amer. "B"	5 (C)	....	....	19.44	100	78	6.4
Deere & Co.	1.40 (C)	5.15	5.90	9.64	No	††21	6.6
International Silver	7 (C)	30.82	27.48	23.82	No	106	6.6
Commerce Investm. Trust 1st.	6½ (C)	24.36	45.50	81.92	110	99	6.6
Crucible Steel	7 (C)	22.47	22.54	32.65	No	105	6.7
American Sugar	7 (C)	7.97	14.60	15.40	No	104	6.7
Baldwin Locomotive	7 (C)	12.21	1.66	11.50	125	105	6.7
Associated Dry Goods 1st	6 (C)	24.10	24.55	23.91	No	89	6.7
Bush Terminal Debentures	7 (C)	18.88	20.55	22.34	115	100	7.0
American Locomotive	7 (C)	16.60	10.83	17.80	No	98	7.1
General Cable Co	7 (C)	25.72	25.92	33.06	110	99	7.1
Tidewater Asso. Oil conv	6 (C)	7.35	19.49	19.10	105	82	7.3
U. S. Smelting, Ref. Mining.	3.5 (C)	6.28	8.43	9.91	No	47	7.4
Goodyear Tire & Rubber	7 (C)	18.80	18.90	28.69	110	93	7.5
Glidden Co. Prior	7 (C)	32.69	32.69	39.51	105	94	7.5
Otis Steel Prior	7 (C)	11.80	28.68	31.98	110	92	7.6

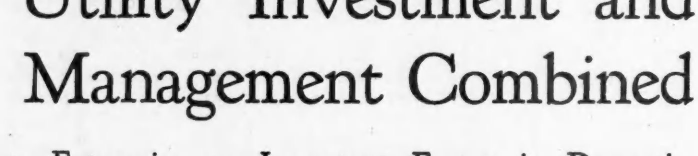
C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. ** Adjusted to basis of present stock. †† Old $100 par stock split into 5 new $20 par shares.

ELECTRIC BOND & SHARE

Utility Investment and Management Combined

Huge Enterprise an Important Factor in Domestic and Foreign Field—Now Selling at Attractive Investment Level

By William Knodel



Trinidad Steam Electric Station of Texas Power & Light Co., Under Electric Bond & Share Control

THE position of Electric Bond & Share Co. in the public utility field is as unique as it is prominent. The organization has an eminently successful record as a public utility management corporation extending back to 1905, but in recent years has become identified with the sponsorship and development of an extensive system of electric properties in foreign countries. Electric Bond & Share, however, is primarily a service company and not a holding company as that term in ordinarily used. It is not engaged in the business of supplying power or light, gas, street railway or other public utility service, nor does it control any company doing such business in the United States.

The company's contact with the industry in this country is indeed far reaching, but takes the form of supervisory service to four client companies in which it also owns and holds for investment substantial minority interests, namely: American Power & Light Co., National Power & Light Co., Electric Power & Light Corp., and American Gas & Electric Co., the last named company receiving only financial service. Electric Bond & Share Co. controls only one public utility holding company, the American & Foreign Power Co., Inc., through the ownership of the majority of its junior securities, and this latter company controls public utility subsidiaries operating entirely in foreign countries. The principal business of Electric Bond & Share, therefore, and incidentally its main source of income, is now the same as it has been since organization, that is, rendering to companies with which it is associated various forms of service such as financial assistance, supervision of their operations, etc., and construction of necessary plants and other facilities. A considerable income, however, and one which will no doubt continue to increase as time goes on, is derived from dividends received on its investments.

The subsidiaries of the four domestic holding companies supply electric light and power and other public utility services in thirty-one states of the United States. The American & Foreign Power Co. operates properties in thirteen foreign countries, chiefly Latin-American. Constantly growing demands for service, due both to natural growth and numerous rate reductions, in the territories served by the operating subsidiaries of the five holding companies require continuous enlargement and extension of generating stations, transmission and distributing systems and other facilities. Plans for the year 1930, for instance, call for an expenditure of approximately $239,000,000 for new construction.

To take advantage of every modern improvement has been the policy of the organization and this is clearly shown by the efficient and modern physical condition of the operating properties. This results in a wider and more useful service rendered to the public and under normal conditions, the earnings of the properties should continue to increase and their securities should steadily enhance in actual value and greater yield returns.

The company might also be considered to have investment trust functions in that it owns a constantly varying amount of securities in other non-affiliated concerns, chiefly in the public utility field, and while these are acquired to be held as investments, they are not regarded as permanent investments in

the same sense as the holdings of the five affiliated companies mentioned above. Through the acquisition on October 17th, 1929, of the Electric Investors, Inc., an investment company which owned securities in approximately 100 companies, public utility, industrial, banking, insurance, and others in and outside the United States, Electric Bond & Share widened its scope very much in this field. Electric Investors, Inc., moreover, owned substantial amounts of American & Foreign Power Co., Inc., American Gas & Electric Co., American Power & Light Co., National Power & Light Co., and Electric Power & Light Corp., increasing considerably Electric Bond & Share Co.'s holdings in these affiliates.

In the market break in the Fall of 1929, the company added further to its holdings in the securities of these client companies, and also bought stocks of other well known public utility companies, as well as of a diversified list of industrial and railroad companies. This move indicates the faith of the management in the future of the public utility industry and particularly in its affiliated companies.

Mergers which have been taking place in the public utility field have of course brought up the point of the position of the affiliates of Electric Bond & Share. As yet these have maintained their identities, but the consolidation or alignment of three of them, Electric Power & Light, National Power & Light, and American Power & Light, has been suggested as logical and may materialize at some later date. In the meantime, however, the affiliated companies are proceeding to expand on their own, an important step having been taken by Electric Power & Light this year by acquiring United Gas Corp. through which it has entered the natural gas field on a large scale. Another possibility in the line of merger is with companies outside of the Electric Bond & Share group, a development which is suggested by the regional mergers which have been occurring and the strategic location of some of the properties of the Electric Bond & Share group with respect to such mergers.

Because of the large investment which Electric Bond & Share has in the securities of American & Foreign Power Co., Inc., representing 72.5% of the company's total investments as per books and 56.5% of the market value of such investments, the fortunes of the former company are largely tied up with those of the latter. When all the option warrants are exercised, Electric Bond & Share will own 76% of outstanding common stock. American & Foreign Power is an ambitious project on the part of the Electric Bond & Share interests to develop public utility properties in foreign countries along the lines so successfully followed in this country. The field has large possibilities considering that in most foreign countries little organized effort has been made to develop the public utility industry to the extent and to the high point of efficiency attained here.

More Speculative But Promises Handsome Rewards

The principal field for American & Foreign Power's activities has been in Latin-America and since its organization in 1924 has acquired properties in 11 of these countries. Last year properties in the International Settlement of Shanghai, China, were acquired. The company also has a one-half interest in the Tata Hydro-Electric Agencies, Ltd., of Bombay, India (a company supervising the operations of a group of hydro-electric companies in the Bombay district), and owns minority interests in companies in five other foreign countries. Electric power and light service is the chief one rendered, being supplied to 755 of the total of 780 communities in the company's territory, but to a smaller degree gas, water, transportation, telephone and ice service is also rendered. The system now has total gross revenues in excess of $80,000,000.

The diversification of American & Foreign Power's investments is not only geographical, but commercial, political and industrial as well, a factor imparting a great measure of stability to the earnings of the company. This is entirely apart from the exceptional opportunities for growth in the countries where the company has operating properties. In this latter respect, the situation is likened to that prevailing in the United States a generation or two ago. The field for potential growth, particularly in the large South American countries, is apparently only scratched on the surface, with development held back only by the lack of necessary capital to finance it. English capital, to be sure, was active in this sphere for a considerable period, but more aggressive development by American capital will mark a new era. And in this development, Electric Bond & Share through its large holdings in American & Foreign Power stands to benefit immensely. The actual results so far achieved by American & Foreign Power in the way of earnings, gross, net and per share, bear out Electric Bond & Share's optimistic long range outlook in the foreign field.

Earnings of Electric Bond & Share are derived from remuneration for the various services rendered to clients from dividends and interest on securities owned, and from profits on security sales. The principal and most dependable sources of profits are dividends on stock holdings and supervision and the former should become increasingly important. Earnings from appreciation of securities sold, consolidations and reorganizations are of an irregular character, large in some years and small in others.

The company follows a conservative policy with respect to stock dividends received, entering them on its books

(*Please turn to page* 488)

Holdings of Electric Bond & Share Co.

Security	Amount Owned by Electric & Share*	% of Total Outstanding	Market Value 7/2/30
American & Foreign Power			
$6 Preferred	14,079	10.3	1,407,900
$7 Preferred	13,792	2.9	1,490,000
$7 Second Preferred, Series A	2,157,836(1)	79.6	200,679,000
Common	805,793	49.6	47,100,000
Option Warrants	5,812,884(1)	81.9	250,000,000
American Gas & Electric**			
Common	504,241	16	56,500,000
American Power & Light			
$5 Preferred, Series A	51,840	5	4,350,000
Common	763,298	30	62,520,000
Electric Power & Light			
$7 Preferred	485	..	51,500
$7 Second Preferred, Series A	13,605	12	1,360,500
Common	541,141	30	37,300,000
National Power & Light			
Common	2,170,683	40	32,200,000
Miscellaneous Securities	......	..	165,000,000
Total			911,958,900

* As of Dec. 31, 1929. ** Financial service only rendered to this company.
(1) Giving effect to full payment made on March 4, 1930, to former part paid allotment certificates.

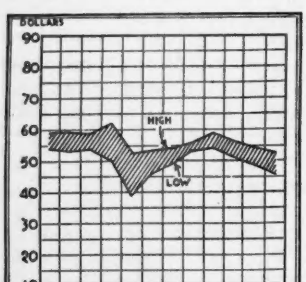
INDUSTRIALS

Investment Opportunities of a Decade

The steady decline in the market which has prevailed for the past two months has so thoroughly deflated prices in a great many instances as to afford excellent opportunities for the prudent investor to acquire sound stocks on an attractive income basis. Moreover, with the upturn in business and the market which must come before long, a wise choice in securities at this time, is bound to result in substantial enhancement in values later on. In addition to the seven stocks analyzed in this feature, we present also a carefully selected list of other issues, most of which have been recently discussed in previous numbers of this publication, which are entitled to equal consideration at the present time.

Reynolds Tobacco, Class "B"

Recent Price 50 **Yield 6%**



THE tobacco industry, or at least that phase of it which concerns itself with the manufacture of popular priced cigarettes, is currently proving its right to the distinction of being practically immune from the effects of a business depression. With this salient fact in mind, the class "B" shares of the R. J. Reynolds Tobacco Co., selling to yield about 6%, afford a decidedly attractive investment opportunity.

From the standpoint of earnings, the company has no peer among domestic manufacturers of tobacco products and in each of the past ten years, profits have shown a gain. This impressive evidence of earning power has been made possible by two factors, the popularity of the company's principal product, "Camel" cigarettes, and the uninterrupted increase in the consumption of cigarettes. Aided by the growing ranks of women smokers and the huge advertising outlays by the chief producers, cigarettes have become the principal tobacco product, by a considerable margin, and there are at present no signs which would indicate that the upward trend in consumption is approaching its peak.

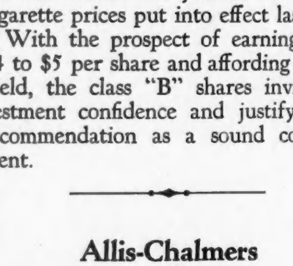
Of the four leading cigarette manufacturers, Reynolds alone has no funded debt or preferred stock, capitalization consisting solely of $10,000,000 common stock and $90,000,000 class "B" stock. Both issues have a par value of $10 and have equal dividend rights and privileges but the "B" shares have no voting power. During the past ten years earnings have increased more than 300% and last year were equivalent to $3.22 per share on the combined class "B" and common stock, comparing favorably with $3.02 and $2.91 in 1928 and 1927 respectively. While the present dividend of $3 may appear somewhat liberal in relation to earnings, it is nevertheless fully warranted by the company's impressively strong financial position.

The company's output is not confined to a single brand of cigarettes but includes "Prince Albert" smoking tobacco and several brands of chewing tobacco. These latter products also enjoy a substantial sales volume which, while not comparable with cigarettes, contribute an important portion of the company's earnings. Advertising has played a prominent role in the progress of the company and recently Reynolds inaugurated an elaborate radio advertising campaign over a nationwide network. The company is also vigorously advertising its products in other mediums, policies which will doubtlessly enable it to maintain its competitive prestige and should find favorable reflection in current earnings. Moreover, earnings will have the full benefit this year of the higher cigarette prices put into effect last Fall.

With the prospect of earning from $4 to $5 per share and affording a good yield, the class "B" shares invite investment confidence and justify their recommendation as a sound commitment.

Allis-Chalmers

Recent Price 52 **Yield 5.8%**



CONTINUING the fine record for growth in business volume and profits demonstrated during the past ten years, Allis-Chalmers reported a fifteen per cent increase in net earnings for the first quarter of 1930. Total orders received during these three months aggregated $14,661,419; and earnings for the quarter climbed from 81 to 93 cents per share.

Outstanding progress of this type, forcefully demonstrated during a period

when general industrial and business activity is running at reduced levels, always attracts favorable comment; but when such exceptional results are achieved on top of a notable past record, combined with an expenditure of large sums of money for research and development work, in preparation for a greatly increased volume of business in the years to come, the stock of such a company deserves very careful consideration by investors.

Allis-Chalmers in its present corporate form was established in 1913; but the original company dates back more than 80 years. The products include a widely diversified line of power, electrical and industrial machinery. Such items as gas, oil and steam engines, steam and hydraulic turbines, pumping engines, transformers, cement machinery, mining machinery, farm implements and farm and industrial tractors are included in the wide variety of products. Plants are operated at West Allis, Wis.; Norwood, Ohio; Pittsburgh, Pa.; Springfield, Ill.; and La Crosse, Wis. The very breadth of its line of products, the many industries served and the wide geographical distribution of its customers serve to prevent, or at least moderate, any severe decline in its volume of business.

With the effort of all power companies and consumers directed toward lower cost power, especially water power, Allis-Chalmers is in an excellent position to serve them through its pioneering work in the design and manufacture of water wheels for all conditions of head and capacity. Having both electrical and hydraulic equipment among its products, Allis-Chalmers is in a position to handle hydro-electric installations from start to finish, and profit from the economies of large scale operations.

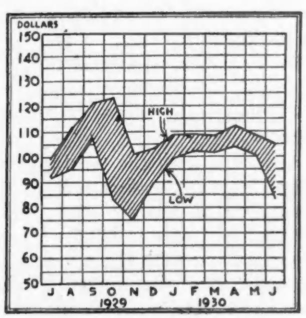
Another very important division of its manufacturing activities has been devoted in recent years to the production of farm implements, and today Allis-Chalmers is recognized as one of the leaders in this field. In March, 1928, the company acquired the Monarch Tractors Corp., a company producing a type of crawler tractor which enjoys a wide market in industrial fields. Several years previously, entrance was made on a sizable scale into the farm tractor field; and in October, 1929, the assets of the La Cross Plow Co., a manufacturer of farm implements and tillage tools, were purchased.

Allis-Chalmers enjoys a very simple capital structure with $15,000,000 of 5% debentures and 1,258,400 shares of no par common stock outstanding. The latest balance sheet showed a ratio of current assets to current liabilities of 3.75 to 1, with inventories making up more than half of the assets. While working capital of around $25,000,000 appeared ample at the start of the year, there is some doubt as to the ability of the company to get through all of 1930 without some additional financing to take care of its steady expansion of manufacturing facilities and volume of business.

Earnings on the common shares increased from $10.02 in 1927 to $11.28 in 1928, and $3.78 per share on the 4-for-1 split up stock in 1929. At the present level of around 52, paying $3 annually and yielding nearly 6%, and with excellent prospects for the future, Allis-Chalmers common appears to have unusual possibilities for future price appreciation.

General American Tank Car

Recent Price 85—Yield 4.7% + Stock



GENERAL American Tank Car Co., readily qualifies for admission into that select circle of companies which, despite the current recession in general business, have been able to report increased earnings. This convincing display of earning power has naturally focused investment attention on the company's shares and at recently prevailing quotations in the neighborhood of 85, they offer attractive inducements in the way of income return and possibilities for eventual price appreciation.

Through subsidiaries, the company engages in the manufacture of freight and tank cars but the bulk of its income is derived from the leasing of tank and refrigerator cars for the transportation of oil, milk, chemicals, fruit and meats. At the present time the company's fleet is in excess of 40,000 cars, comprised of about 60% tank units and 25% refrigerator cars. The fact that the company builds approximately 50% of all the tank cars in this country affords an excellent measure of the importance of its manufacturing division. Progressiveness and activity of the management in improving its service and type of cars is exemplified in the introduction of glass lined tank designed for the transportation of milk and recently the Navy Department placed an order for a fleet of cars suitable for the transportation of helium gas. It is understood that negotiations are being conducted with a number of large chemical companies which may result in General American taking entire charge of their transportation division and the company reports encouraging progress in introducing tank car facilities abroad.

Responding to the growth of the petroleum industry and the increasing demand for modern refrigerator cars, earnings have registered important increases during the past several years. Results last year were a record for the company and net income showed a gain of more than 45% over 1928. Applied to the common stock outstanding at the close of the year, profits were equal to $7.49 per share, contrasting with $6.18 the previous year and $4.61 in 1927. Of particular interest, was the company's ability to show earnings equivalent to $2.17 a share in the initial three months of the current year. Normally the first quarter is the least profitable for the company. Moreover, it has been officially stated that orders on the company's books were sufficient to maintain capacity operations in the manufacturing division well into the fourth quarter. It was also stated that profits in the second quarter would be at least 15% more than for the first three months. Under the circumstances, it is quite apparent that the company is

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Other Investment Opportunities

	Price	Dividend	Yield
Pennsylvania	71	$4	5.6
Southern Pacific	110	6	5.5
Westinghouse Elec.	134	5	3.7
Electric Bond & Share	75	*6%	6.0
Paramount Publix	55	4	7.6
Otis Elevator	59	2½	4.2
Texas Corp.	50	3	6.0
Drug, Inc.	70	4	5.7
Loose-Wiles	58	2.80	4.8
Mathieson Alkali	34	2	5.9

*Payable in stock

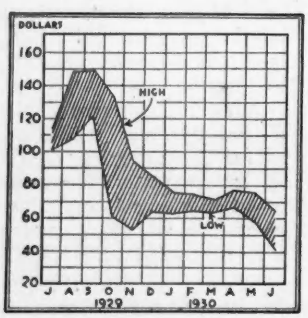
headed for still another record year.

The latest report revealed the company's capitalization to consist of $17,558,000 equipment trust certificates and 797,422 shares of common stock. Financial position is satisfactory and working capital appears ample. Investments increased more than $5,000,000 last year and it is probable that this account is carried at a conservative figure on the balance sheet. It is understood that further expansion is contemplated this year and it is possible that the talked-of merger with Pullman, a logical consolidation, will be consummated.

Paying $4, current earnings would easily permit an increase in dividends but for the purpose of facilitating expansion, the management prefers to continue the present rate, supplemented by a quarterly stock dividend of 1%. Assuming the sale of stock dividends, the shares afford a liberal return and on the basis of both developed and potential earnings, existing quotations seem lower than warranted.

International Telephone & Telegraph Corp.

Recent Price 43 **Yield 4.55%**



CELEBRATING recently its tenth anniversary, International Telephone & Telegraph Corp. has experienced a decade of expansion almost unparalleled in the history of the communications business. Beginning as a small holding company in 1920, its first operations were confined to telephone systems in Cuba and Porto Rico, but through acquisitions it has grown into the most powerful international communications system in the world. The company is so organized that it can take advantage of the vast potentialities for growth in cables, telegraphs, telephones and radio particularly as it possesses large manufacturing plants to provide the equipment for such expansion.

In addition to the above two countries, International Tel. & Tel. now operates telephone systems in Spain, Argentina, Brazil, Chile, Uruguay, Peru, Turkey and Mexico, and recently the company acquired the telephone properties in the International settlement in Shanghai, China. In Europe, extension of operating control of telephone systems is difficult because many are government owned, but to these International is selling and installing equipment. Outside of Europe, however, expansion opportunities are excellent. Wherever the company takes up operations, it puts into practice the best American methods but always adjusts these to national and local conditions which are conducive to the successful developments of the various entities.

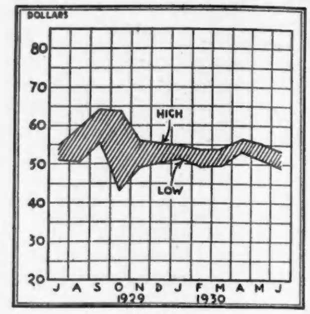
In the telegraph, cable and wireless fields, International has recognized that these services are complementary to each other and their associated operation permits their most efficient and economical use. All-America Cables, Inc., was acquired in 1927 and the following year the Mackay system, including Postal Telegraph, Commercial Cables, Commercial Pacific Cables and Mackay Radio. Long strides have been made in coordination of these facilities. A big development still pending is the proposed acquisition of Radio Corporation's subsidiary, Radio Communications, Inc. This move awaits legislation to amend the White Act, which in its present form does not permit wire and wireless companies to merge.

Coincident with the world-wide depression during the first half of 1930, International's income has suffered somewhat but this is believed is only temporary, and with the return of normal conditions the company should again show continued earnings progress. In fact, the management has this year effected large savings and more are yet to come. The expansion program which has carried the operations to six continents involved the necessity of making large investments without immediate compensating returns. The company's major efforts will now be concentrated in building up the earning power of the properties already held.

Earnings for the first quarter of 1930 were equivalent to 57 cents a share against 83 cents a share for the corresponding quarter the year previous. The full year 1929 showed earnings of $3.03 a share—and an average of $3.63 for the five year period. The present price of 44 therefore represents approximately fifteen times last year's earnings, a ratio not entirely out of line considering the attractive future possibilities of the company, and compares with about forty-one times earnings at the high price reached last year. The dividend of $2 per annum returns the investor a yield of 4.55%.

Royal Dutch

Recent Price 52 **Yield 6.15%**



WITH an output of approximately 190 million barrels of crude oil in 1929, which is a little less than one-eighth of the world petroleum production, Royal Dutch Petroleum Corp. outranks all other companies in the United States and elsewhere as an oil producer. Incorporated in the Netherlands forty years ago, Royal Dutch owns 60% of the shares of Batavian Petroleum Co. (whose holdings include about 64% of the stock of Shell Union Oil Corp.), the Anglo-Saxon Petroleum Co., Limited, and the Asiatic Petroleum Co., Limited. Production of the Royal Dutch Shell group is principally in the United States, Venezuela and Dutch East Indies, although its marketing organization is world-wide. Physical property owned in the latter phase of the oil business includes thirty refineries with 635,000 daily average capacity, storage for 70 million barrels of oil and a tanker fleet of approximately 1.6 million tons.

Net income for the three years to and including 1928, amounted to approximately 40 million dollars annually. Last year income exceeded 50 million dollars, equal to approximately $3.40 a share on the "New York Shares" listed on the New York Stock Exchange, three shares of which represent 100 florins par value of common stock. Against these earnings a dividend equal to $3.20 is paid on the New York shares, in the form of a 10% interim dividend and a 14% final dividend expected to be declared this month. It must be understood, however, that Royal Dutch is a holding company and, adhering to the old school of auditing practice, reports as income only the actual amounts received from subsidiaries in dividends. The excess of earnings of subsidiaries over dividends, or what American corporations would report as "consolidated" earnings on the stock, is not known.

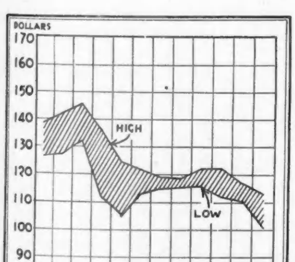
Neither is the true value of the vast properties owned by Royal Dutch re-

ported, as the balance sheet shows only its investment at book value in its several subsidiaries. These investments are carried in the December 31st, 1929, balance sheet at 312,186,543 florins, equal to about 125 million dollars at current rates of exchange. The obvious understatement of true value of this item can be seen rather strikingly in one illustration. At 20 for Shell Union, Royal Dutch has an equity of approximately 100 million dollars in over 8 1/3 million shares owned by Batavian Petroleum—an amount that is four-fifths of the book value of all its investments, yet the Shell Union property returned only 11.7 million in dividend in 1929 out of a total net income of 50.8 millions.

The dollar value of Royal Dutch Company's capitalization is represented in approximately 55.5 million dollars in debentures (40 million of which were recently placed in this market with a 4% coupon rate) a small issue of preference shares and $202,456,848 par value of common stock outstanding. The market value of these shares is about 750 million dollars (at 50) compared with market value of 1,651 million for Standard Oil of New Jersey (at 65), the company's nearest world competitor. The comparative stability of price which Royal Dutch shares enjoy is due to the world-wide market for the issue, the investment values obtainable being thus tested by the sentiment of the leading investment centers of the world.

Baltimore & Ohio

Recent Price 102 **Yield 6.81%**



ESSENTIALLY a road with a promising future, Baltimore & Ohio has been called to only a momentary halt in the march of progress which has characterized its recent history, by the current period of business recession and stock market liquidation. In the case of this particular carrier, both the let down in industrial activity and the price decline on the exchange are obstacles of a tangible character at the present time. Ten years ago Baltimore & Ohio's funded debt represented over 70% of the company's capitalization. At present, the percentage is about 63.5%, but when the conversion of the convertible 4½s of 1960, issued last year, is completed the ratio of 6 to 4 will be the lowest debt ratio in the history of the company. The conversion privilege starts February 1st, 1931, at 120 and is rather essential for the restoration of a more even balance between share capital and funded debt. Improved stock market conditions however, are also essential to the completion of this important financial operation.

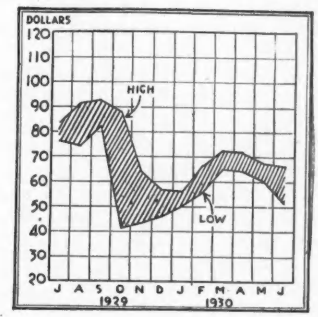
A second obstacle in the way of immediate progress is the nature of Baltimore & Ohio's freight traffic. The road is primarily a bituminous coal carrier, coal loadings representing about 45% of its traffic, and other mine products bring this ratio up to almost 61%, altogether coal, iron and steel and manufactured products represent 88% of Baltimore & Ohio's freight traffic, a factor that naturally makes the company's revenues highly dependent upon general industrial activity.

Even with gross earnings showing an erratic trend in recent years, and in spite of heavy investments and expenditures in property and maintenance, the company has made an impressive showing in net income in recent years through efficient control of operating expenses, resulting in a sharply declining ratio of expense to total revenues. Per share earnings were reduced in 1927 and 1929 by the issuance of additional capital in those years, but it is significant that the dollar value of net income remained about the same in these two years, notwithstanding the fact that 1927 produced the largest gross revenues in the history of the company. An unfavorable last quarter in 1929, reduced the per share income on the present outstanding stock to about $11.70 per share per annum including indirect earnings. On the basis of the operating statistics available for the early months of 1930, the indicated share earnings will be still further reduced but with a margin sufficient to cover current dividends.

In the meantime Baltimore & Ohio stock has sold off to a basis where it is currently available for investment at around par to yield nearly 7% return. Thus, it is possible to obtain an interest in a rail that is rapidly forging ahead to front rank in the nation's transportation system, without paying the premium that first rank rail stock investments command. The speculative possibilities inherent in such a commitment are enhanced by the progress that Baltimore & Ohio has already made by its aggressive action in the realm of consolidations. Its plans harmonize with the general scheme laid down by the Interstate Commerce Commission, and its acquisition of Buffalo & Susquehanna and Buffalo, Rochester & Pittsburgh, together with enlarged ownership in Reading and Central Railroad of New Jersey give it a prominent place in the consolidation picture, with the ultimate promise of a more efficient system and larger earnings for shareholders.

Continental Can

Recent Price 55 **Yield 4.55%**



IN its field, Continental Can shares leadership with American Can, the latter, however, being much the larger enterprise from the standpoint of both assets and earnings. But during the past several years Continental has been engaged in absorbing a number of independent companies with the result that the scope of the company's activities has undergone considerable expansion and earnings have increased substantially. Numerous competitive advantages have been gained by both companies by virtue of the strategic location of their plants and the high degree of efficiency which they have developed in the manufacture of metal containers. Naturally, therefore, they fall heir to the bulk of available business.

In former years can manufacturers were largely dependent upon the fruit and vegetable packing industries and as a consequence earnings were subject to wide variations. Today, however, these industries are still the most important customers but tin containers are now widely used for such commodities as coffee, tea, crackers and other food products, cigarettes, tobacco, paint, chemicals, medicines and toilet preparations, with the result that a desirable measure of stability has been imparted to the industry. In the case of Continental, it is estimated that approximately one-third of the company's

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CORN PRODUCTS REFINING

Justifies Future Confidence

Cheaper Raw Materials — Lessened Competition — Substantial Income from Investments

By FERDINAND OTTER

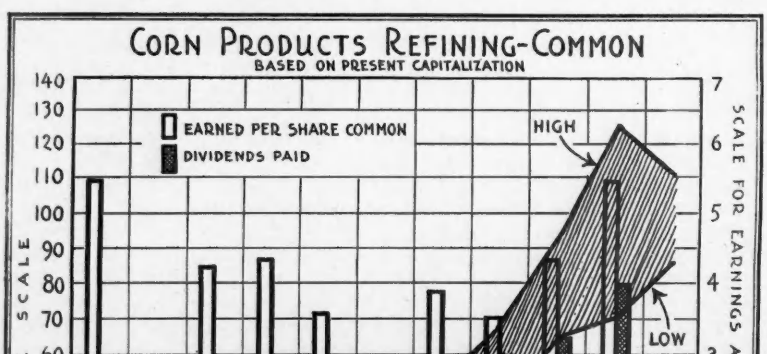
THE Standard Oil management of Corn Products Refining Co., which has built this industrial from an over-capitalized pauper to one of the wealthiest American corporations, during the past five years has been quite immune from the unfortunate new era merger complex and split-up psychology which is now being exposed in the stock market. The common stock of Corn Products has not been split up since 1924; no subscription rights have been offered; no competing companies have been absorbed on an extravagant appraisal basis; dividend policy has remained conservative; and a comparison of balance sheets indicates that practically no additional securities were purchased during 1928 and 1929. Incidentally. the stock at around 90 is selling for about 71% of its bull market peak price, whereas most of the new era industrials are selling for between 15% and 50% of their 1929 peak price.

The shortage of sugar during and directly after the World War greatly increased the consumption of the company's corn sugar substitutes and lifted earning power to undreamed heights. During 1921, after the high-priced sugar bubble had burst, Corn Products stock was a favorite short sale on the theory that the company never could compete with low-priced sugar. Had the 1921 analyst been able to gaze into a crystal and foresee the course of the sugar market during the past nine years, he would have been willing to write the obituary of the company.

Meeting Cheap Sugar Competition

But the war sugar shortage had forced bakers, housewives and candy manufacturers to use the company's products in place of sugar, and reasonable corn prices allowed the corporation to continue to sell glucose and Karo on a competitive price basis. Even now, with sugar selling below pre-war levels, the company's volume of sales in the United States is larger than it has ever been before; and Karo corn syrup is the leading package line. In the meantime new uses for starch and starch products have been developed in the textile field, a number of new products have been introduced, and the company has expanded judiciously in foreign fields. In 1929, the year of the lowest sugar prices on record (except 1930), Corn Products Refining earned a record net of 16.3 million dollars, which compares with a previous record of 13.7 million in the high priced sugar year of 1919.

During the past eight years of declining sugar prices, earnings have dropped below $10,000,000 in only one year, 1925, a year of unusually high corn prices. From the standpoint of the sugar market the past seven years have been unfavorable to satisfactory earnings. The price of sugar now is down to a point where the quotation cannot go much lower without disappearing altogether. Because cane sugar is a perennial plant and because of the artificial tariff barriers against it which have stimulated the production of beet sugar in countries which never can hope to compete with cane sugar on an equal basis, the natural operation of the law of supply and demand in the sugar market has been retarded; but in the long run sugar will not be produced below the cost of growing it, and the cost of growing sugar is above the current market price. Hence, Corn Products Refining Co., seems to face a period in which the competitive advantage will be with the producer of corn sugar instead of against him. In the meantime the price of corn, the second factor in the corporation's prosperity equation, is



down to a point which provides an easier raw material situation.

Three Sources of Income

The business of Corn Products Refining Co. is divided into three main classifications: (1) manufacturing operations (sub-divided into package business and the bulk business); (2) investments in affiliated companies; and (3) investments in securities. The affiliated companies conduct manufacturing operations in foreign countries and manufacture and distribute cattle and poultry feeds in this country. The company's investments, practically all bought before the end of 1927, cost over $32,000,000 and probably have a market value in excess of this figure notwithstanding the ruthless deflation which has occurred in the securities markets.

The package business, it is understood, normally constitutes about one-third of the company's manufacturing volume but probably contributes substantially more than one-third of net profits, especially in a depression year like 1930. The best known trademarked package products of Corn Products are Argo starch, Mazola cooking oil, Karo corn syrup, Linit starch, Cerolose pure white refined corn sugar, and Kremel pudding powder. A normal year's shipment of Karo runs between 5 million and 6 million cases.

The bulk goods include refined corn sugar sold in large quantities to ice cream manufacturers, bread-baking concerns and meat packers because it is cheaper and possesses certain superiorities over cane sugar; crude corn sugar, a substantial tonnage of which is sold to rayon manufacturers; raw starch and crude sugar residue; specially processed starch used by automobile manufacturers and commercial foundries in casting molds; starch for laundries, textile plants, paper mills, explosive factories, paint makers, cordage producers, etc.; cattle feeds, especially Buffalo gluten; Sealite, which is sort of a sealing wax product spread over the top of oil wells to prevent evaporation; and bulk glucose for candy manufacturers and bakers. In all, something more than 50 different products may be made from corn but many of them are not yet of any commercial value.

The company has four domestic plants, located at Edgewater, N. J., Argo, Ill., Pekin, Ill., and Kansas City, Mo. The total daily capacity of these plants is about 175,000 bushels of corn, and normally the company consumes around 45 million bushels of corn a year. The three next largest manufacturers of similar corn products have a combined grinding capacity of about 105,000 bushels daily. In addition to the four domestic plants, affiliated companies have factories in a number of foreign countries, including Argentine, Brazil, Holland and England. A plant which may cost as much as $4,000,000 now is being erected in Japan, presumably to take advantage of the shortage of starch products in that country and the increasing consumption of corn sugar by Japanese rayon manufacturers.

Fiscal Operations

The third division of the company's business, its fiscal operations, are similar of those of Allied Chemical & Dye. At the end of last year the balance sheet showed that the company had 2.1 million dollars in cash, 7.1 million dollars in demand loans and time loans, and 32.1 million in marketable stocks and bonds carried at cost. In 1929, interest on loans, deposits and open accounts amounted to just under $800,000; dividends and interest received were 1.8 million and a profit of $622,000 was received from securities sold. The company's fiscal income, therefore, was more than sufficient to cover preferred dividend requirements and interest on the small funded debt.

The management never has published a portfolio of its investments, but a comparison of balance sheets indicates that practically all of the stocks and bonds now owned were purchased prior to the froth period of the 1927-1929 bull market. Gossip has it that Corn Products owns 100,000 shares of Commercial Solvents, substantial blocks of representative high grade railroad stocks, and that a good percentage of the $32,000,000 investment is in bonds rather than in stocks. It will be seen that the holder of Corn Products common stock has a part ownership in a very large and conservatively managed investment trust as well as an investment in a food manufacturing concern.

Earning Power Discussed

Most of the company's earnings are derived from operations. In 1929 the operating income was 16.9 million dollars. Dividends received from affiliated companies were 1.9 million dollars and income from investments and cash balances was 3.2 million dollars. Last year's showing was typical of recent annual income accounts but revealed a most encouraging increase in dividends received from affiliated companies. It is understood that the profits of affiliated companies this year are not holding up as well as the profits of the domestic operating companies. The item in the income account, "income from affiliated companies," represents only the dividends received from these foreign and other subsidiaries and it is believed that actual profits are considerably larger. It always has been the policy of the Corn Products management to build up properties from earnings by following a conservative dividend policy.

Reported earnings for the first three months of 1930 were about 8% less than in the first three months of 1929. It is unofficially reported that the volume of business was above a year ago but that the writing down of raw material inventories necessitated by the decline in the price of corn more than wiped out a small increase in gross income. This trend, it is believed, has continued through the second quarter. Lower corn prices probably have made possible a larger margin of profit on package goods, and package goods volume has been well

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Corn Products Refining

Sources of Income

Year Ending Dec. 31	Net from Operations (a)	Interest Income (b)	Income from Investments (c)	Received from Affiliated Companies (d)	Total before Taxes and Charges (e)
1929	$16,919,389	$799,110	$2,473,265	$1,948,492	$22,140,257
1928	13,802,114	637,372	1,067,127	1,084,808	18,438,482
1927	12,963,757	525,241	3,086,263(g)	921,679	17,516,940
1926	14,267,101	654,045	1,849,634	584,073	17,354,853
1925	9,758,174(f)	448,518	1,415,696	885,260	12,507,648

(a) Domestic plants. (b) On current balances and loans. (c) From fiscal operations. (d) Mostly foreign subsidiary dividends. (e) Before depreciation, etc. (f) Shows influence of high priced corn. (g) Includes $1,305,017 profit on securities sold.

EDITORIAL PAGE

Building Your Future Income

An Informative Department On Estate Building

"I Told You So!"

DURING the early months of the year, a spirited controversy was raging in the columns of the Building Your Future Income Department over the relative merits of stocks and bonds for long term investment. It will be recalled that this debate started originally with an article by Stephen Valiant, discussing the usefulness of bonds for more or less permanent investment and stating that "any time" was the "right time" to invest in bonds—but that the same thing could not be said for stocks.

The implications of the latter statement aroused the ire of another BYFI author, who prepared an enthusiastic defense of stocks for long term investment, vigorously attacking Mr. Valiant's preference for bonds, and calling upon other readers to disclose their views and give their own personal experiences that might throw more light on the Stock versus Bonds controversy—a challenge that was met by numerous statements and articles from readers.

All of this is again called to mind through a letter from Mr. Valiant which has just arrived at the Editor's desk. Notwithstanding our high esteem for and long acquaintance with Mr. Valiant, we are filled with a hearty suspicion that his most amiable note is somehow calculated to carry with it, an I-told-you-so message. However, let us quote a few paragraphs from his letter:

"I have not yet forgotten the fact that Mr. Hand, the generalissimo of the Pro-Stock faction in our recent little debate, inserted in his articles a good many sly implications that my views on bonds were old-fashioned enough to belong to the hoop skirt era. At the time I merely protested that I was not half as old-fashioned and frock-coated as the gentleman seemed to imagine. What else could I do?

"Consistent with my stated position however, I continued to place my savings in bonds and fixed income producing mediums, but honestly, I felt like slinking in the back door of the bond house with all this stigma of being old-fashioned hanging over my head. And now, in light of all that has occurred in the security markets in the meantime, I would like to know what is the matter with being old-fashioned? Perhaps Mr. Hand with his ultra-modern views on investments can answer this question. As I look over my evening newspaper, it seems to me that I can now buy a good many shares more of the same stocks that caught his enthusiasm, with the same amount of money that he paid. After all, the main point of my argument was that stocks are good investments, only if you can buy them at the right price."

We forgive Mr. Valiant for rubbing it in and feel impelled to print these paragraphs to keep the topic of "bonds versus stocks" alive.

Insurance and the Economic Value of Man's Life

One Answer to the Familiar Question, "How Much Insurance?"

By Florence Provost Clarendon

"HOW much life insurance should I carry?"

This familiar query might be answered by basing the amount of the individual protection on the economic value of the life. But the economic value of a man's life is frequently debatable, and the person assumed to be most vitally interested often underestimates the financial loss which would be incurred by his dependents in case of his untimely death. This is evidenced by the small amount of life insurance carried by the average breadwinner when compared to his earning capacity and his responsibility for dependents.

Some interesting information on the value scientifically assessed on life has been issued by one of the big life insurance companies. The company's experts estimate that the economic value of a boy at birth is $9,333, and that this valuation increases progressively to $28,654 when the lad has attained his eighteenth year, the figures being based on a family with an annual income of $2,500. The cost of rearing the boy to the age of eighteen is estimated to be $7,238 in such a family. They base their figures by placing the value of the boy at birth as the amount it would be necessary to put out at interest at 3½% to rear him to the age of eighteen, and to produce the net income he is expected to earn throughout the working period of his life.

This economic valuation of the life of an eighteen-year-old youth should cause the thoughtful young family man to give serious consideration to his personal worth in the community as a breadwinner and the financial support of dependents.

How the Courts Value Life

Judicial decisions on the economic value of life are interesting and illuminating. Statistics obtained from the records of fifty railroad attorneys in this country give a working knowledge of their valuations along such lines. The following records of settlements made by railroad companies in compensation for fatalities occurring on the respective roads point to the judicial opinion on the economic value of the life of a young workman of moderate means:

A Brakeman, age 28, earning $140 a month—judgment.	$27,500
A Brakeman, age 31, earning $185 a month—judgment.	29,000
An Engineer, age 34, earning $200 a month—judgment.	32,000
A Conductor, age 34, earning $215 a month—judgment.	35,000
A Fireman, age 32, earning $70 a month—judgment..	12,000

According to these judicial decisions it is apparent that every life has an economic value which can at least be approximated. The unfortunate part is that this value is usually determined *after death,* and then only because some one is responsible for the accidental death, and redress is sought through the courts for compensation to dependents because of death occurring through criminal negligence. In such cases the plaintiffs always place at a high figure the economic value of the life thus taken.

But death by accident is merely a possibility, while death from some cause is inescapable. What commensurate provision is being made by the breadwinner to protect his dependents in event of death occurring from *any cause?* The high valuation judicially placed in the above mentioned awards should prompt the family man to reconstruct his ideas as to the proper amount of life insurance needed to protect wife and children.

Take for instance the case of the engineer, age 34, earning $200 a month for whose accidental death a verdict of $32,000 was awarded. The average man in his position would probably consider that he was fairly well insured if he carried a policy of $5,000—perhaps less. Yet this $5,000 protection represents less than one-sixth of the economic value of his life as judicially assessed.

It has been wisely said that: "The married man hath given hostages to fortune," and it behooves him to build up regularly and systematically an estate to protect his family which will in a fair degree measure up to the economic value of his life.

Ten Percent for Insurance

A practical plan is to divert 10% of the annual income towards payment of life insurance cost, while saving as well through other channels. If, however, life insurance represents the principal protection, then double the percentage suggested, or a fifth of the income, could with advantage be used to build up this protective estate.

Let us take the case of a young married man, 30 years old, with an annual income of $2,500. If he were to use one-tenth of this income, or $250, to pay the yearly cost of life insurance, he

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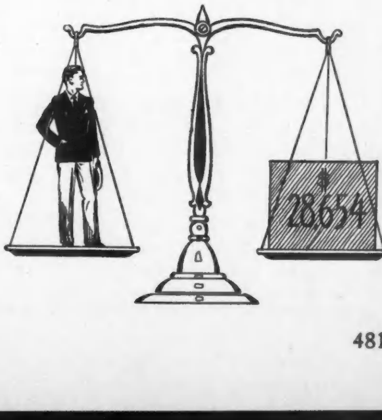
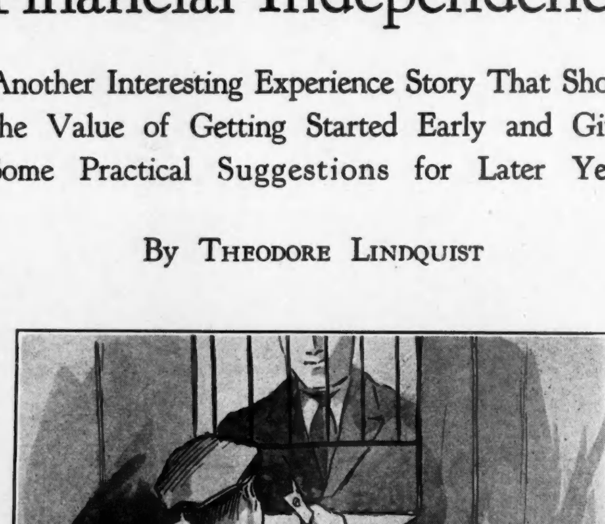


An Early Investment That Led to Financial Independence

Another Interesting Experience Story That Shows the Value of Getting Started Early and Gives Some Practical Suggestions for Later Years

By Theodore Lindquist

PICTURE a lad of ten years, standing before a bank teller's wicket with a ten dollar bill and sixty cents in coins. This money had been paid to him by the savings bank to whom he had "loaned" the ten dollars, a year before. It was not the ten dollars but the sixty cents which held the boy's attention. He asked himself, "What have I done to get this sixty cents interest?"



* * *

THE first money I remember owning was ten pennies which I kept in a great big purse. When I was given or earned a few cents after that I never spent all of them but put some into this purse. The year before the above incident I had deposited ten dollars from my purse in one of the local savings banks. Until I received that interest I had realized the value of money only as a reserve fund. Although I had heard my elders speak about interest on money, the earning power of money without any effort on the part of its owner had never come home to me before.

During my school and college course any earnings went to defray educational expenses. At that time, my estate building was the accumulation of potential earning power. My education did not stop with college graduation but has been continued without abated interest which has resulted in professional advancement and with that an increase in earning power. Every hour and every dollar expended on education, after as well as during my college course, has paid me the highest dividends and has been my very safest investment.

At the age of thirty, I accepted a position which brought me into a more stimulating professional atmosphere and placed at my disposal excellent facilities for educational advancement. The new position paid $150 less the first year than I was receiving and other expenses brought the total cost of changing to around $500. This cost I looked upon as an investment because it promoted me professionally, and a good investment it proved to be as my salary was doubled inside of seven years.

My salary has never been high in terms that folks think of high incomes nowadays and I have had my share of sickness, bad luck, and expense. For all that there has never been a year when salary did not exceed expenditures. For several years at first I carried a savings bank account to take advantage of the interest it paid until I could accumulate enough to buy some security. Later when I have had funds to invest, but have not had enough to purchase the security I wanted, I have simply borrowed the necessary funds from the bank. When my funds had grown to $500 I loaned it on a first mortgage on Chicago vacant real estate. It was loaned on non-income property because I could not then find so small a loan upon income property.

After this first loan my security was income real estate and after a few years I further increased the security by diversifying; I bought real estate bonds, at first in $500 and later in $1,000 denominations. While these bonds were safe and brought a good rate of interest they never appreciated marketwise. As I began buying listed bonds I soon discovered that bonds bought well below call price, if otherwise good and drawing a good rate of interest, had an opportunity to appreciate in market price. Call price, market price and management of the corporation offering the bonds became my study in selecting securities from that time on.

While I was progressing, I was not progressing fast enough. My banker gave me only specific advice to buy or to leave alone certain securities. What I needed, as every one needs, was instruction on how to gather information and then draw the proper conclusions myself. If my banker had put me in touch with a reliable financial journal within my comprehension as well as within my price, as The Magazine of Wall Street, I could have gained by my own study the information I so sorely needed.

At the present time I divide my bond investments into five groups of approximately: (1) 20% real estate which gives a high yield but has limited marketability; (2) 15% in smaller industrial corporations which also give a good

yield and are likewise limited in marketability; (3) 20% in large industrial corporations that give a slightly lower yield but which are highly stable; (4) 15% in railroads which give a low yield but can be turned into cash quickly; (5) 30% in public utilities which give a good yield and rise marketwise due to the expansion of this industry. A diversification is maintained both industrially and geographically.

One fall I accepted a position in North Dakota. After much study and a thorough investigation of local land conditions, I bought a quarter section of land. In making this purchase I did not go out to find a man who might be induced to sell me his land but one who was obliged to sell. Finally I found such a man and I helped him to save something out of his wreck while I secured a good piece of land at a very reasonable price. This land I kept five years during which time it paid taxes and interest on the money invested, and I sold it at an advance of 50% on the purchase price.

For several years, except for the purchase of the North Dakota land, I kept all of my funds in bonds. To me buying stocks meant buying on margin which is speculating. At no time have I speculated because while I have often heard of the men who have "cleaned up speculating" I am not acquainted with men of this group, but I am acquainted with many men who have lost. I have always acted upon the visible evidence against speculating.

The fear of speculating kept me a long time from buying outright good investment stocks which I learned later were safer than a great many bonds, gave a good return upon the money invested, and also brought much better gains in appreciation than bonds in general. As a shareholder in these later years, I gain in the prosperity of the corporation as I never do on its bonds. Since learning this fact I have been placing some of my funds in high grade stocks but there has always been a large proportion kept in sound bonds, divided into groups as mentioned previously. This buying of stocks also permits of a wider diversification.

Two years before my marriage I took out some life insurance. Again I lacked information. I bought the so-called 20-payment life form which carries with it an investment feature. For the men and women who lack the backbone to save this is a fine form of insurance. As I had already established the habit of saving my only need was protection for dependents. A long term or a straight life policy would have probably been more suitable for my needs.

When my wife and I felt that we were permanently located we bought a lot and built a house. Our home has proved a mighty fine investment in comfort, satisfaction, and health.

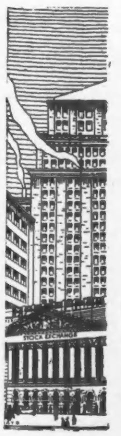
The above actual narrative of one individual might well be that of any citizen of the United States. There was some inborn ability, below average health, but a Great Wonderful Opportunity—the opportunity of living in the United States. A start of ten cents was certainly not large, neither were large sums added nor special privileges extended at any time. The results have all come through careful use of this great opportunity and the careful husbanding of the income derived therefrom. I never forgot the lesson of that eighty cents interest. So my savings were always invested in income producing securities, never in speculative volatile ones.

Always have I built for the future and for that reason education has been a large part of my investment program at all times, and well it has paid me in dividends. My wife and I, now just turning down the shady slope of life, have enough laid by to eliminate fear of financial want. This confidence, by giving us peace of mind, is proving a great health tonic. Two drawbacks have been gradually overcome: overcaution, due to fear engendered in boyhood days

(Please turn to page 514)

BYFI RECOMMENDS—

For Saving



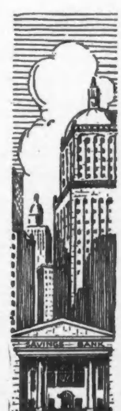
1. SAVINGS BANK. A convenient depository for the accumulation of regular or intermittent savings at compound interest. Funds are always available for employment in other mediums.

2. BUILDING & LOAN AND GUARANTEED MORTGAGES are conservative investments secured by real estate mortgage. Building & loan shares, essentially a mortgage investment, are purchasable in monthly installments. Guaranteed mortgages are obtainable in large or small denominations. Both mediums must be selected on their individual merits and the reputation of the association or company.

3. ENDOWMENT INSURANCE is a means of securing insurance protection and at the same time accumulating savings. Also possesses merit of regularity in savings but in view of small return, should occupy a minor role in the accumulating program.

For Investment

Security	Recent Price	Yield %
1. Illinois Central 40-Year 4¾s, 1966	100	4.7
2. Public Service Elec. & Gas 1st & Ref. 5s, 1965	104	4.7
3. Standard Oil of N. Y. deb. 4½s, 1951	99	4.5
4. Western Pacific 1st 5s, 1946	96	5.3
5. Youngstown Sheet & Tube 1st SF. "A" 5s, 1978	102	4.8
6. New York Steam 1st "A" 6s 1947	107	5.3
7. Chesapeake Corp. Conv. Coll. 5s, 1947	100	5.0
8. Associated Dry Goods 1st 6% Pfd.	89	6.7
9. Hudson & Manhattan Conv. 5% Pfd.	83	• 6.0
10. Southern Pacific Common $6	113	5.3



The BYFI Recommendation Table is intended primarily to serve as a constant guide to inexperienced investors through the early stages of their income building program. On the left the advantages of each of three principal mediums for accumulating regular savings are outlined. On the right, a progressive tabulation of investment securities suitable for the employment of sums accumulated through savings is presented. These issues, if purchased in the order listed, are intended for a permanent investment, and as such, will ultimately provide a sound backing of income producing securities, affording safety of principal, fair return, and offering the protection of diversity.

Business Improvement in Prospect

Declining Trend in Commodity Prices — Chief Obstacle in the Path of More Active Conditions

STEEL

Upturn in Sight

DESPITE optimistic sentiment voiced during the first part of this year, steel production has, to date, followed a normal course and there is no indication in the present prospectus that the current quarter will witness a drastic departure from precedent. During the first half year, steel output is estimated to have been 18% below 1929, 5% under 1928 and virtually on a par with 1927. In the second quarter of 1930, production fell almost 6% below the first three months, practically the same percentage of decline that took place in corresponding periods in 1925, 1926 and 1927. Since there are no unusual de-

(*Please turn to page* 512)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1930 High	1930 Low	1930 Last
Steel (1)	$34.00	$31.00	$31.00
Pig Iron (2)....	18.50	18.50	18.50
Copper (3)	0.17¾	0.12	0.12
Petroleum (4)...	1.45	1.20	1.20
Coal (5)	1.65	1.40	1.45
Cotton (6)	0.17½	0.13½	0.13½
Wheat (7)	1.46½	1.12¼	1.12¼
Corn (8)	1.08⅜	0.92⅝	0.92⅝
Hogs (9)	0.10⅛	0.09	0.09
Steers (10)	16.50	12.50	12.50
Coffee (11)	0.10¼	0.09	0.09
Rubber (12) ...	0.16⅜	0.12¼	0.12¼
Wool (13)	0.34	0.28	0.30
Tobacco (14) ..	0.14	0.14	0.14
Sugar (15)	0.03¾	0.03⅛	0.03⅜
Sugar (16)	0.05¼	0.04⅝	0.04⅝
Paper (17)	0.03⅛	0.03⅛	0.03⅛
Lumber (18) ...	20.33	17.68	17.68

* June 28, 1930.

(1) Billets, rerolling, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per lb.; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, 100 lbs.; (11) Rio, No. 7, spot, c. per lb.; (12) First Latex Crepe, c. per lb.; (13) Ohio Delaine, unwashed, c. per lb.; (14) Medium, Burley, Kentucky, c. per lb.; (15) Raw Cubas, 96° Fall Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Increasing specifications for structural steel and line pipe are acting as a check to the declining trend in steel production and several authorities see an upturn scheduled to appear in the next few weeks. Improvement, however, is likely to be slight before Fall. Prices remain weak and earnings are in seasonally declining volume.

METALS—Buying in non-ferrous metal markets remains light despite cuts in quotations for all metals. While some reduction in copper stocks is expected this month as result of heavy purchasing in May, consumers are not likely to enter the market again for some time unless the business pick-up proves more extensive than anticipated at present.

PETROLEUM—Rumors of an impending cut in crude quotations in Texas and Mid-Continent fields have been persistent lately and will probably materialize in the near future. Otherwise, little change has taken place in the petroleum situation. Refiners are benefiting from steady gasoline prices and seasonally heavy consumption. Earnings generally are favorable.

FOOD PRODUCTS—Low prices for raw materials are creating larger profit margins for manufacturers which should be favorably reflected in earnings. In addition, economies of extensive mergers will become increasingly evident in net profits over the long term as readjustments attendant on reorganization are completed.

TOBACCO—Production of cigarettes in the United States has declined for the second consecutive month with May output decreasing approximately 7½% from the corresponding month last year. Previous gains, however, have been large enough to assure satisfactory profits for the half year and the outlook for larger earnings in the future is not noticeably dimmed.

MACHINERY—Demand for machinery and machine tools continues subnormal with notable exception of extensive retooling now taking place in automotive industry in preparation for new models. Exports have fallen off with expiration of foreign contracts. While selected companies are making good reports, the majority are well under 1929.

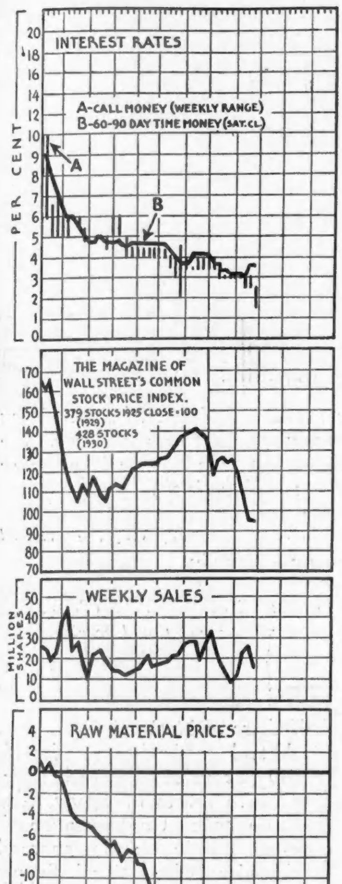
TEXTILES—Despite heavy curtailment in production, evidence at hand places sales below output and prices generally have found lower levels. Instability of quotations for raw materials is also acting unfavorably on manufacturers' profit margins with concomitant adverse effect on earnings. Further decline is in prospect for the third quarter.

UTILITIES—Department of Commerce reports that earnings of public utilities during April increased 4.21% gross and 7.84% net. An important factor in growth of utilities is increasing electrification of farms. Last year about 100,000 farms were equipped for electricity and the trend has continued into this year.

SUMMARY—On the whole, it is felt that we are nearing the end of the present decline and if the world-wide fall in commodity prices can be definitely arrested, a few more weeks should see business starting on the way to recovery.

THE MAGAZINE OF WALL STREET'S INDICATORS

Business Indexes

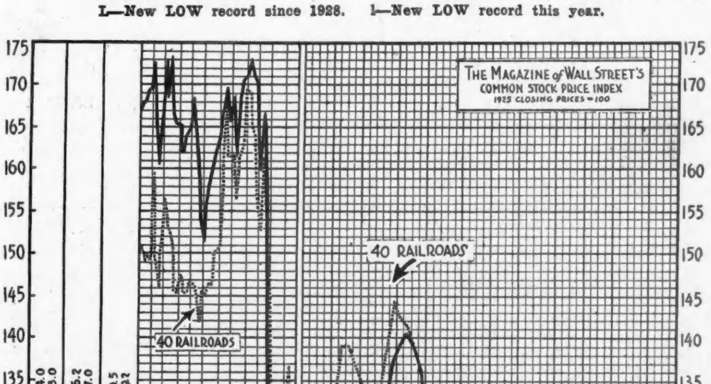


Common Stock Price Index

(1925 Closing Prices—100)

Number of Issues in Group	Group	1930 Indexes (428 Issues) High	1930 Indexes (428 Issues) Low	Recent Indexes June 21	Recent Indexes June 28	1929 Indexes (379 Issues) Close	1929 Indexes (379 Issues) High	1929 Indexes (379 Issues) Low
428	COMBINED AVERAGE	140.7	96.1	96.6	96.1-L	109.0	173.1	105.6
40	Railroads	144.5	106.6	109.5	106.6-L	129.0	169.5	120.3
3	Agricultural Implements	405.5	227.7	230.8	227.7-L	258.0	655.5	237.1
3	Aircraft (1927 Cl.—100)	153.1	82.2	83.4	84.2	86.0	307.1	78.0
8	Amusement	272.0	123.4	164.0	162.1	129.6	268.0	121.5
22	Automobile Accessories	118.1	68.4	69.9	68.4-L	84.2	212.6	82.9
18	Automobiles	78.4	44.5	44.5-L	44.7	54.2	134.9	52.1
3	Baking (1926 Cl.—100)	74.2	42.7	42.9	44.0	43.4	96.3	39.8
2	Biscuit	248.1	189.9	201.7	212.2	189.9	267.6	177.0
5	Business Machines	262.7	181.5	184.3	181.5-L	219.4	385.8	205.0
2	Cans	226.0	162.8	162.8-1	171.9	171.9	273.5	157.1
9	Chemicals & Dyes	248.5	161.4	161.4-L	164.8	220.4	363.9	204.5
4	Coal	107.9	69.7	72.4	69.7-L	83.8	124.0	77.0
16	Construction & Bldg. Material	121.8	78.0	78.1	78.0-1	82.4	145.4	76.6
13	Copper	211.7	117.3	118.2	117.3-L	194.5	391.5	189.6
4	Dairy Products	122.6	81.4	101.9	102.5	86.5	146.0	73.3
10	Department Stores	51.6	33.9	33.9-L	34.5	38.0	86.5	37.5
9	Drugs & Toilet Articles	142.0	106.7	106.7-L	106.8	128.6	199.2	119.2
8	Electric Apparatus	239.1	166.5	169.5	166.5-1	172.9	298.5	151.3
3	Fertilizers	54.4	32.8	33.2	32.8-L	40.8	121.4	36.5
2	Finance Companies	148.4	92.4	92.4-L	95.1	101.4	213.9	95.3
4	Furniture & Floor Covering	119.2	65.1	65.8	65.1-L	109.2	209.3	102.3
6	Household Appliances	92.5	53.5	54.1	53.5-L	57.3	110.8	56.6
4	Investment Trusts	184.9	114.6	116.9	114.6-1	125.7	406.2	113.3
3	Mail Order	170.0	104.4	108.0	104.4-L	132.6	418.6	127.5
4	Marine	88.8	50.4	51.5	50.4-L	62.2	93.7	60.1
3	Meat Packing	58.4	41.4	41.4-L	43.4	54.2	104.4	51.2
45	Petroleum & Natural Gas	142.5	101.5	104.2	101.5-L	106.7	171.7	104.5
6	Phono'phs & Radio (1927—100)	175.2	94.0	99.9	96.9	129.6	321.1	116.3
23	Public Utilities	305.0	215.2	215.2-1	220.0	224.9	388.4	194.2
11	Railroad Equipment	115.4	76.3	76.7	76.3-L	90.2	136.1	95.0
3	Restaurants	153.1	117.8	118.9	117.8-L	127.2	180.5	117.9
2	Shoe & Leather	116.5	79.4	88.8	83.6	79.4	178.3	76.3
2	Soft Drinks (1926 Cl.—100)	246.5	195.5	212.7	216.2	198.4	244.0	183.5
15	Steel & Iron	146.5	98.9	98.9-L	100.2	117.8	173.4	112.8
6	Sugar	45.1	19.8	21.8	19.8-L	39.7	81.6	39.2
2	Sulphur	268.7	204.2	204.2-1	206.0	214.0	295.2	191.4
3	Telephone & Telegraph	177.2	127.5	127.5-L	129.3	167.8	252.3	150.1
6	Textiles	70.5	46.6	47.2	46.6-L	49.9	128.5	48.1
8	Tire & Rubber	39.0	21.4	22.6	21.4-L	25.6	111.4	25.6
13	Tobacco	107.3	78.8	78.8-L	80.0	83.4	184.6	79.6
5	Traction	103.5	65.0	65.0-1	65.4	65.2	140.4	58.9
2	Variety Stores	88.7	66.8	66.8-L	68.6	88.7	138.8	83.9

L—New LOW record since 1928. l—New LOW record this year.



(An unweighted Index of weekly closing prices specially designed for investors. The 1930 index includes 428 issues, distributed among 42 leading industries, and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments and reflects all important price movements with a high degree of accuracy. Our methods of making annual revisions in the list of stocks included renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies).

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1. ***Be Brief.***
2. ***Confine requests for an opinion to THREE SECURITIES ONLY.***
3. ***Special rates upon request to those requiring additional service.***
4. ***Write name and address plainly.***

COLGATE-PALMOLIVE-PEET CO.

I have 25 shares of Colgate-Palmolive-Peet common which cost me 84. Would you advise averaging under 54 especially in view of the pending acquisition of El Dorado Oil Works? I assume this merger will have a favorable influence on the market action of my Colgate stock. What is your opinion?—P. L. H., Trinidad, Colo.

Initial benefits of the merger in 1928 of Colgate & Co. and Palmolive-Peet Co. were reflected in the earnings report of the consolidated unit for 1929 when $4.03 a share was realized as compared with $2.67 in 1928. The balance sheet issued at the close of 1929 showed a strong financial condition with current assets of about $34,000,000, more than six times current liabilities, and a surplus of $15,729,000 as compared with $13,327,109 a year earlier. Despite generally unfavorable trade conditions witnessed during the first part of 1930, lower costs of raw materials and later improvement in business, seems to indicate that earnings for the first six months will at least be equivalent to, if not greater than for the similar half year of 1929. Reduced operating costs and additional economies may be looked for as full benefits of the 1928 merger are realized, and these factors should work to the advantage of stockholders. Colgate-Palmolive-Peet Co. is a well-rounded organization, manufacturing a variety of soaps and other toilet articles. The entire properties and assets of El Dorado Oil Works, producers of cocoanut oil and meal, have been taken over by Colgate-Palmolive-Peet and while the results of this acquisition will not be felt for some time, the longer term prospects of the parent organization are improved. We would not oppose averaging under 54 provided you plan to hold for a period of a year or more and are willing to assume a reasonable degree of risk.

NATIONAL SUPPLY CO. OF DELAWARE

What is your opinion of the proposed merger with Spang, Chalfant & Co.? Do you think the benefits to be derived from this consolidation warrant the purchase of additional National Supply common around 105 to bring down the cost of the stock which I already hold. This consists of 20 shares at 138.—M. C. G., Hutchinson, Kans.

National Supply Co., one of the oldest enterprises in its field, has constantly improved its industrial position, and now ranks as one of the leading companies engaged in the manufacture and sale of machinery equipment and supplies for practically all departments of the oil industry. The recent acquisition of Spang, Chalfant & Co. makes the company a well integrated unit, thus strengthening its trade position. The plans of acquisition involve an exchange of stock, in the ratio of one-half share of National Supply common stock and one-half share of preferred ($100 par value) for each three and one-fourth shares of Spang, Chalfant common stock. Consummation of consolidation only awaits approval of stockholders of National Supply, at their meeting, July 17th, next, an incidental routine. Both companies have received substantial orders during recent weeks for pipe lines, and current reports indicate that Spang, Chalfant is booked to capacity, well into the Fall. The extension of natural gas pipe lines promises to enhance company's business, thereby making it possible for the continuance of company's favorable earnings record in future years. Although earnings during the initial quarter of current year showed a sharp decline from those of the corresponding period of last year, official bulletins state that business during the second quarter has improved considerably, with the result that those close to the situation anticipate net income for the first half of 1930, at least equal to, if not better than the per share

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Electric Bond & Share

(*Continued from page* 473)

either at par value (or if no par value then at stated value as shown in the balance sheet of the respective issuing companies) or at market value if less than par value or stated value, as the case may be. Preferred stock received by the company as dividend distributions are taken on its books at market value or at the amount to which such stock is entitled in liquidation, whichever is less.

Larger Income in Future

The income statement for the twelve months ended December 31st, 1929, shows gross of $42,410,701, of which actual cash amounted to $38,972,856, the remaining presumably being dividends received in the form of stock. After deducting expenses of $9,898,878 there remained net income of $32,511,823 available for the preferred and common stocks. The dividends on the former aggregated $5,794,661 leaving $26,717,162 for the common stock, equivalent to $1.97 on the total shares outstanding at the end of the period and $2.22 on the average shares during the period. On the same basis, earnings for the twelve months ended March 31st, 1930, were $2.14 and $2.31 respectively. In considering these earnings it should be realized that the company does not include in its income statements any undistributed earnings that accrue to it by reason of its equity earnings. The common stock of American & Foreign Power, for instance, in which the company has a large investment pays no dividend, although earnings last year were $4.01 per share. The relationship of the reported earnings to the market price of Electric Bond & Share common, therefore, is not significant in the same sense as in the case where full earnings equity is stated.

The capitalization as of March 31st, 1930, was represented by 1,113,648 shares of $6 preferred stock, 13,733,839 shares of common, and common stock scrip equivalent to 19,662 shares. The present dividend policy calls for the payment of 6% in stock annually, a method which obviously conserves the cash resources of the company to be used in further expansion. The recent price of the common stock was about 78 representing fairly closely the liquidation value per share of its holdings. Considered in the light of an investment trust, the stock currently reflects only the approximate value of the securities it owns, but there is in addition the important function of supervision, financing and construction and the substantial revenues derived from these sources. The high reached by the common last year was 189 and the low during the November break 50. The future course depends chiefly on the continued progress of the utility industry in this country and abroad, but a reasonably optimistic long term view might well be taken. Current commitments may have to be held for a period before showing definitely to advantage.

Corn Products Refining

(*Continued from page* 479)

maintained; on the other hand, there can be little question but that income from the bulk division has suffered from decreasing industrial activity.

Like most other industrials, Corn Products will not earn as much in 1930 as in 1929, but it seems entirely reasonable to expect a net of around $4.75 a share in this depression year, which would compare with $5.49 a share in 1929, $4.35 a share in 1928 and $3.50 a share in 1927. There is little probability that the $3 dividend rate established a year ago will be disturbed. Indeed, the directors probably will continue to pay extras semi-annually.

With the $544,500 of National Starch 5s retired at their maturity date on July 1st, the company's only capital liabilities ahead of the 2,530,000 common shares of $25 par value are $1,822,000 of first mortgage 5s due in 1934 and 250,000 shares of $7 non-cumulative preferred stock. The old common stock of $100 par value was split up four for one in 1924, when a 25% stock dividend was paid. By avoiding split-ups and stock dividends during the latter stages of the recent bull market inflation, the Standard Oil management of Corn Products now finds itself without an embarrassing overcapitalization.

Excellent Management

Everything in the behavior of the company's management in the past serves to inspire confidence in the future. No dividends were paid on the common stock from 1906 to 1920, although more than 30 million dollars was reported as available for such. In 24 years of the company's corporate existence, approximately 126 million dollars has been reported as available for common dividends, while only about 60 million dollars actually has been paid out in stock dividends. Depreciation charges have been made on a very conservative basis, large sums have been reinvested in the business, and the treasury has been strengthened to impregnability through the judicious purchase of high grade marketable securities. Corn Products never has padded its income account, has been most radical in the matter of charging off intangibles, and has proved its ability to operate profitably under all kinds of conditions in the corn and sugar markets.

During the summer irregularity the common stock may be obtainable at concessions below the prevailing quotation, but it seems destined to sell on a lower yield basis and on a higher price-earnings ratio basis than industrial issues more representative of the merger and split-up complex. It is of investment grade and no investor who owns it need apologize for its presence in his list.

Paying $3 regular and probably $1 extra, the stock at current prices offers a dividend return of about 4⅔%. If it works lower, the reason probably will be found in the bear market tendency to insist on a higher income yield rather than in any fundamental weakness in the company or in any change in the investment status of the issue.

A Railroad That Never Has Defaulted

(*Continued from page* 471)

interests; and secondly, San Antonio & Aransas Pass—one at a time. No real opposition was encountered from local interests in connection with either undertaking, and both plans went through the mills of the I. C. C. as though they had been greased with the most modern of lubricating oils.

Then, too, Southern Pacific has followed a conservative and wise policy with respect to the payment of dividends. Possibly the rate would have been raised from $6 to $7 a year several years ago except for the comprehensive building program already mentioned, which cost many millions of dollars and resulted in a substantial addition to the company's funded debt. Until these new lines yield a profit, the directors have not felt justified in raising the dividend. During the first nine months of last year, with enormous gross and net earnings piling up, stockholders and others who had been looking for an increase thought it surely would come before the end of the year. Wall Street speculators in the stock clamored for it. But the directors held firm to the $6 rate. They realized, as stockholders and the public gener-

Investing in the Insurance Field

THE insurance business in this country has grown consistently in every year for the past quarter of a century. It has grown approximately fourteen times faster than our population and bids fair to continue a rapid growth for many years to come. Insurance securities generally are characterized by fundamental soundness, inherent stability and a remarkable record of growth in assets, earnings and market value.

An investment in 1920 of the same amount of money in shares of each of a well diversified list of 35 leading insurance companies and maintained through the exercising of subscription rights, would have produced an average annual yield from dividends of about 7¾% and an average annual appreciation of about 31%—a total of 38¾% yearly.

United Founders Corporation has important investments in the insurance field, representing a wide diversification. Its holdings give it an investment interest, directly or indirectly, in the business of 60 established insurance companies.

United Founders is also interested extensively in the electric light and power industry and in other fields. It has a diversified portfolio of securities and controlling stock interest in American Founders Corporation. The latter interest not only represents an investment in the operations of a long established and successful group of investment companies, but assures United Founders the continuing service of an extensive economic, analytical and research organization.

DECORATIONS BY ROCKWELL KENT · CUT IN WOOD BY J. J. LANKES

UNITED FOUNDERS CORPORATION

This advertisement is the fourth of a series outlining the investment activities of United Founders Corporation

ally did not, that earnings began to "slip" several months before the culmination of the stock market crash in November, and that it might be expected to lead to a general slowing down of business in this country. With big decreases in both gross and net earnings so far this year, the wisdom of the directors with respect to the dividend has been fully demonstrated.

Outlook Better for Second Half of 1930

For the first five months of 1930, together with the first week in June, gross earnings of Southern Pacific showed a decrease of around $18,000,000 from the corresponding period of last year. For the first five months the decrease in gross was 14%; for the first week in June, 16%; and for the second week in June, 22%. Obviously at this writing, Southern Pacific's earnings have not begun to turn upward. The principal losses have been in lumber, automobiles, other manufactured products of many kinds and oil. Receipts from agricultural products decreased only about $240,000 for the first five months compared with a year ago. Net operating income for the first five months was only $12,504,934 against $21,048,788 in 1929, a decrease of $8,543,854 and in comparison with $16,910,298 for 1928.

Not only are actual earnings of Southern Pacific expected to be better during the second half than the first six months of this year, but the comparisons month by month will be more favorable, because of the "slipping" trend toward the end of the last half of 1929. On the basis of returns for the first five months of this year, Southern Pacific's gross for 1930 as a whole should not be much larger than for 1925. But for that year the $6 dividend was earned by a comfortable margin.

The only two recent outstanding announcements having a direct bearing on Southern Pacific have come from Washington. First, the decision of the United States Supreme Court on rates on deciduous fruits from California to points east. This decision was based on the so-called Hoch-Smith resolution, which directed the I. C. C. to take account of the misfortunes of growers in fixing rates on that class of fruit. This decision not only gave relief to the Southern Pacific with respect to those rates, but involved many broad principles with regard to the powers and limitations of the commission with respect to the fixing of rates in general. The Railroad Commission of California has brought action to have the I. C. C. reopen this case for reargument. The other announcement was the granting of authority by that body to Great Northern and Western Pacific to build jointly a line about 200 miles in length from Klamath Falls, Oregon, to Keddie, California. Special reference was made to this project by THE MAGAZINE OF WALL STREET in an article on Western Pacific in the issue of June 14th, last.

Southern Pacific Building New Line

Great Northern is to build 88 miles and Western Pacific 112, with an aggregate cost of between $13,000,000 and $14,000,000, of which Great Northern is to pay $3,356,000 and Western Pacific $9,825,000. The greater part of the line will be through virgin timber land, which is expected to yield important lumber traffic to the two roads, and which Southern Pacific had planned originally to have altogether for itself. The joint new line will also enable Great Northern to give through service from the Twin Cities, Seattle and Portland, to San Francisco, Denver and thence to the Gulf of Mexico over Colorado & Southern Lines.

To what extent traffic will be diverted from Southern Pacific to the new combined service remains to be seen. The I. C. C. made it perfectly clear in its order that it felt the new road would be "in the public interest." It suggested that "competition within reason, rather than monopoly, is in the public interest." However, there will be nothing for Southern Pacific's management or stockholders to worry about in the next two or three years, as it is estimated that that length of time will be required to complete the construction of the new line. Even then, some time longer will be necessary to establish the extent of the diversion of traffic and also the probability of the project becoming profitable. An unprofitable railroad can not be a successful competitor to a strong system giving good service. The breadth of Southern Pacific's policy was clearly shown in the congratulatory message of President Paul Shoup of Southern Pacific to Western Pacific and Great Northern, following publication of the I. C. C. order.

In short, the outstandingly strong position of Southern Pacific today warrants careful consideration of its stock by investors seeking a combination of particularly capable and seasoned management, good yield and a clearly defined favorable prospect for the years ahead. Clearly, more attention should be given to the intrinsic solidarity of its position than merely to the unfavorable earnings of a single year. At its present level of around 110, with an investment return of 5.45%, Southern Pacific stock appears to be definitely at an attractive purchase-price level.

New York Stock Exchange

RAILS

	1928 High	1928 Low	1929 High	1929 Low	1930 High	1930 Low	Last Sale 7/2/30	Div'd $ Per Share
A								
Atchison	204	182⅝	298⅝	195⅛	242½	194	209¼	10
Do Pfd.	108½	102⅛	104⅞	99	108	102⅝	104⅝	5
Atlantic Coast Line	191½	157⅛	209½	161	175½	153	†152½	10
B								
Baltimore & Ohio	125⅝	103⅜	145⅛	105	122⅜	98¼	103	7
Do Pfd.	85	77	81	75	84½	78¼	82	4
Brooklyn-Manhattan Transit	77¾	53⅝	81⅞	40	78⅝	58⅜	63⅛	4
Do Pfd.	95⅝	82	92⅝	76½	94	84⅞	†85	6
C								
Canadian Pacific	253	195½	265⅞	185	226¾	184⅝	188¼	10
Chesapeake & Ohio	218¾	175½	279¾	160	241⅜	171	178½	10
C. M. & St. Paul & Pacific	40½	22¼	44⅞	16	26⅜	12⅛	14⅛	..
Do Pfd.	59⅝	37	68⅝	28½	46¼	20½	23⅝	..
Chicago & Northwestern	94¼	78	108½	75	89⅞	66	68⅝	5
Chicago, Rock Is. & Pacific	139⅝	106	143½	101	125⅛	95	99⅛	7
Do 7% Pfd.	111½	105	109	100	110⅜	105	†105½	7
D								
Delaware & Hudson	226	163¼	226	141⅛	181	146	†152½	9
Delaware, Lack. & Western	150	125¼	169¾	120¼	153	110¼	116	7
E								
Erie R. R.	72½	48¾	93½	41⅛	63⅜	35⅛	39¼	..
Do 1st Pfd.	63⅞	50	66¼	55⅛	67⅜	53½	†54	4
Do 2nd Pfd.	62	49¼	63⅞	52	62½	50	†50	4
G								
Great Northern Pfd.	114⅝	93½	128¼	85¼	102	71⅜	77½	5
H								
Hudson & Manhattan	73⅛	50⅛	58⅝	34⅛	53⅜	41	†43	3½
I								
Illinois Central	148⅜	131⅜	153½	116	80⅜	73⅛	77	4
Interborough Rapid Transit	62	29	58⅜	15	39½	20⅝	25½	..
K								
Kansas City Southern	95	43	108⅞	60	85⅝	58¾	60	5
Do Pfd.	77	66½	70½	63	70	65	†60¼	4
L								
Lehigh Valley	116	84½	102¼	65	84⅞	57⅝	61⅞	4½
Louisville & Nashville	159½	139⅝	154¾	110	138½	127	134¼	7
M								
Mo., Kansas & Texas	58	30½	65⅜	27⅛	66⅝	32⅞	36½	1
Do Pfd.	109	101½	107½	93⅞	108⅜	98¼	100	7
Missouri Pacific	76¼	41⅞	101⅜	46	98½	57	†58½	..
Do Pfd.	126⅞	105	149	105	145½	115⅝	120	5
N								
New York Central	196½	156	256½	160	192¾	150¾	159	8
N. Y., Chic. & St. Louis	146	121¼	192⅝	110	144	94	104	6
N. Y., N. H. & Hartford	82⅜	54⅝	132½	80⅞	128⅛	97¼	103	6
N. Y., Ontario & Western	39	24	32	8	17¼	8½	10	..
Norfolk & Western	198½	175	290	191	265	213¼	222	10
Northern Pacific	118	92⅜	118⅞	75⅛	97	66¾	73¼	5
P								
Pennsylvania	76⅞	61⅞	110	72½	86⅝	69⅞	74⅛	4
Pere Marquette	154	124⅞	260	140	164½	130	†133	8
Pittsburgh & W. Va.	163	121¼	148¾	90	121⅜	90	†70	6
R								
Reading	119⅝	94¼	147¾	101½	141½	100	106⅞	4
Do 1st Pfd.	46	41½	50	41½	50⅛	44⅛	†48	2
Do 2nd Pfd.	59⅞	44	60¾	43⅝	57	47¾	48⅛	2
S								
St. Louis-San Fran.	122	109	133¾	101	118⅞	86¼	88⅛	8
St. Louis-Southwestern	124⅛	67½	115¾	50	76¾	52⅛	63	..
Seaboard Air Lines	30½	11⅝	21¾	9⅛	12½	6	6⅝	..
Do Pfd.	38	17	41⅜	16¼	28	16	†10	..
Southern Pacific	131¼	117⅝	157½	105	127	108	113	6
Southern Railway	165	139½	162⅛	109	136⅜	89⅛	90⅝	8
Do Pfd.	102¼	96⅝	100	93	101	95¾	†90	5
T								
Texas & Pacific	194⅝	99½	181	115	145	110	†100	5
U								
Union Pacific	224⅞	186½	297⅝	200	242¾	200	208⅞	10
Do Pfd.	87¼	82½	85½	80	86½	82¼	84¾	4
W								
Wabash	96¼	51	81⅜	40	67⅝	30	33½	..
Do Pfd. A	102	88½	104⅞	82	89	71	71	5
Western Maryland	54¾	31¾	54	10	36	18⅝	24	..
Do 2nd Pfd.	54⅞	33½	53⅛	14⅝	38	19	†22	..
Western Pacific	38½	28¼	41⅞	15	30½	17	†20¼	..
Do Pfd.	62½	52½	67¾	37½	53½	38⅝	39¾	..

INDUSTRIALS AND MISCELLANEOUS

	1928 High	1928 Low	1929 High	1929 Low	1930 High	1930 Low	Last Sale 7/2/30	Div'd $ Per Share
A								
Adams Express	425	195	34	20	37⅞	21⅞	24½	1.00
Air Reduction Inc.	99⅝	59	223⅝	77	156⅝	114	123⅜	3
Allegheny Corp.	..	..	56½	17	35¼	18	20⅛	..
Allied Chemical & Dye	252¾	146	354¾	197	343	232	262	6
Allis Chalmers Mfg.	200	115⅛	75⅛	35⅛	68	48⅛	51⅛	3
Amer. Agricultural Chem. Pfd.	79⅞	55⅝	73⅜	18	10⅜	4⅝	†5½	..
Amer. Bank Note	159	74⅜	157	65	97⅜	68	71½	3
Amer. Brake Shoe & Fdy.	49⅛	39⅞	62	40⅛	54⅝	41⅛	42	2.40
American Can	177½	70⅛	184½	86	156½	108¼	118⅜	4
Amer. Car & Fdy.	111½	88¼	106½	75	82½	42	53	6
Amer. & Foreign Power	85	22⅝	199½	50	101¾	56¼	63½	..
American Ice	46⅝	28	54	29	41⅞	31	34	4
Amer. International Corp.	150	71	96⅝	29½	55⅝	28⅜	32⅜	2
Amer. Mchy. & Fdry.	180	129⅛	279¾	142	284¾	180	211	7
Amer. Metal Co., Ltd.	63⅝	39	81⅜	31½	51½	30⅛	34⅝	3
Amer. Power & Lt.	95	62¼	175⅜	64¼	119⅜	72¾	82½	1
Amer. Radiator & S. S.	191½	180⅛	55⅝	28	39⅜	23⅜	25¼	1½
Amer. Rolling Mill	..	..	144⅝	60	100⅞	51⅛	52⅜	2
Amer. Smelting & Refining	293	169	130¼	62	79⅛	53	58⅛	4
Amer. Steel Foundries	70⅝	50⅛	79⅞	35¾	52¼	35⅛	†37¼	3
American Stores	..	..	514	120	55½	42½	†44	2

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS—(*Continued*)

	1928		1929		1930		Last Sale 7/2/30	Div'd $ Per Share
	High	Low	High	Low	High	Low		
Amer. Sugar Refining	93½	55	94¾	56	69⅞	47	49⅜	5
Amer. Tel. & Tel	211	172	310½	193¼	274¼	200⅛	206¼	9
Amer. Tobacco Com	184⅜	152	232½	160	264¼	197	229	8
Amer. Type Founders	142¼	109⅞	181	115	141¾	113	117¼	8
Amer. Water Works & Elec	76½	52	199	50	124⅞	78⅛	85	1
American Woolen	32⅜	14	27⅞	5⅝	20¼	7½	†11⅜	..
Anaconda Copper Mining	120¼	54	140	67¼	81½	44½	49⅜	3½
Armour of Ill. Cl. A	28½	11¼	18⅝	5⅛	8⅛	4⅜	5	..
Arnold-Constable Corp.	51¾	35¼	40⅞	6¼	13¾	6	6⅛	..
Assoc. Dry Goods	75½	40¼	70¾	25	50½	28	36¼	2½
Atlantic, Gulf & W. I. S.S. Line	59⅞	37½	86⅞	32⅛	80⅜	49⅝	†51	1
Atlantic Refining	66½	50	77⅞	30	51⅜	50⅛	35⅛	2
Auburn Auto	..	..	85	40	263¾	91	102	4
B								
Baldwin Loco. Works	285	235	66⅝	15	38	19⅜	20⅜	1¾
Barnsdall Corp. Cl. A	53	20	49⅛	20	34	20½	22⅜	2
Beech Nut Packing	101¼	70⅜	101	45	70⅛	49⅜	†49½	3
Bendix Aviation	..	..	104⅜	25	57⅞	27⅝	30	2
Best & Co.	102	53¾	60⅞	25	56¼	31⅛	42¼	2
Bethlehem Steel Corp	86⅝	51⅞	140¾	78¼	110¼	75¾	80⅝	6
Bohn Aluminum	..	..	136¾	37	69	28¼	35½	3
Borden Company	187	152	100½	53	90⅜	60⅛	75⅛	3
Borg-Warner	..	..	86⅞	26	50½	23⅝	27	3
Briggs Mfg.	63⅝	21½	63⅛	8½	24½	13⅛	16⅝	..
Bucyrus-Erie Co.	48¾	24½	43¾	14	31⅞	19⅛	23½	1
Burroughs Adding Mach	249	139	96⅞	29	51⅞	29¼	31½	1
Byers & Co. (A. M.)	206¾	90½	192⅞	50	112¾	66⅛	71⅞	..
C								
California Packing	82⅝	68½	84⅞	63½	77½	62	63½	4
Calumet & Arizona Mining	133	89	136¾	73½	89⅞	48⅝	52½	8
Calumet & Hecla	47⅝	20⅛	61⅞	25	33⅜	13	15½	1½
Canada Dry Ginger Ale	86½	54⅞	98¾	45	75⅜	56	60⅝	5
Case, J. I.	515	247	467	130	362¾	156½	175½	6
Caterpillar Tractor	..	..	61	50¼	79⅜	54	59	3½
Cerro de Pasco Copper	119	58½	120	52¼	65⅜	43⅛	50½	6
Chesapeake Corp.	81⅞	62¾	92	42⅛	82½	51⅛	60	3
Childs Co.	64	37	75⅞	44¼	67⅝	50	52	2.40
Chrysler Corp.	140½	54¾	135	26	43	24	27	3
Coca-Cola Co.	180½	127	154½	101	191⅜	133¼	173¼	6
Colorado Fuel & Iron	84½	52½	78½	27¾	77	36½	47	2
Columbian Carbon	134¾	79	344	105	199	108	121¼	6
Colum. Gas & Elec	140⅞	89½	140	52	87	58⅛	62¾	2
Commercial Solvents	250¼	137⅞	63	20⅛	38	20¼	23⅛	1
Commonwealth Southern	..	..	24¾	10	20¼	12⅝	14	60
Congoleum-Nairn, Inc.	31½	22	35¾	11	19¾	10⅛	12⅜	..
Consolidated Gas of N. Y.	170¼	74	183¼	80⅛	139⅞	96⅝	106	4
Continental Baking Cl. A	53½	26½	90	25¼	52½	18½	23¾	..
Continental Can, Inc	128⅞	53	92	40½	71⅝	50⅛	54⅛	2½
Continental Motors	20½	10	28⅝	6⅛	8¼	3⅜	3⅞	..
Continental Oil	..	..	47½	48	30½	18⅜	20	..
Corn Products Refining	94	64⅜	126⅝	70	111⅝	87½	92¾	4¼
Crucible Steel of Amer	93	69¼	121¾	71	93⅝	70½	†76½	..
Curtiss Wright, Common	..	..	30⅛	6⅜	14⅞	6½	7¼	..
Curtiss Wright, A	..	..	37⅞	13¼	19¾	8⅝	9⅛	..
Cudahy Packing	78¼	54	67⅞	36	48	38⅛	39⅛	4
D								
Davison Chemical	68¾	34⅜	69⅛	21¼	43⅝	24⅝	27½	..
Drug, Inc.	120⅛	80	126⅛	69	87⅜	67	71	4
Du Pont de Nemours	503	310	231	80	145¼	100⅛	103¼	4.70
E								
Eastman Kodak Co	194¼	163	264¾	150	255¼	175¾	193⅝	8
Eaton Axle & Spring	68⅛	26	76¾	18	37¼	19⅛	22	3
Electric Auto Lite	136½	60	174	50	114⅞	55⅛	60	6
Elec. Power & Light	49⅜	28¾	86⅝	29⅛	103½	49¼	66½	1
Elec. Storage Battery	91⅛	69	104½	55	79¼	61⅛	65	5
Endicott-Johnson Corp.	85	74¾	83⅜	49¼	59⅝	44	†48¼	5
F								
Federal Light & Traction	71	42	109	60½	90¼	59⅝	†62⅞	1½
Fox Film Cl. A	119⅝	72	105⅝	19⅛	57⅜	16⅛	40½	4
Freeport Texas Co	109¼	43	54⅞	23¾	55½	37	39¾	5
G								
General Amer. Tank Car	101	60⅞	123½	75	111⅞	78⅝	83	4
General Asphalt	94⅞	68	94¾	42¼	71⅛	38⅝	42½	4
General Electric	221½	124	403	168⅛	95⅜	60⅛	67¾	1.60
General Foods	..	..	81¾	35	61¼	46⅛	54½	3
General Motors Corp	224¾	130	91¾	33½	54¼	37½	39¾	3.30
General Railway Signal	123⅝	84¼	126½	70	106⅞	75½	†79	5
Gillette Safety Razor	123⅜	97½	143	80	106⅛	66½	67½	5
Gold Dust Corp	143¼	71	82	31½	47⅞	34½	38	2½
Goodrich Co. (B. F.)	109¼	86½	105¾	38¼	58½	22½	26	4
Goodyear Tire & Rubber	140	45½	154½	60	96⅞	54⅞	56⅜	5
Granby Consol. Min., Smlt. & Pr.	93	39½	102⅞	46¼	59⅞	18	22¾	3
Great Western Sugar	38½	31	44	28	34½	20	20⅞	1.40
Gulf States Steel	73⅞	51	79	42	80	38	†37	4
H								
Hershey Chocolate	72½	30¾	143⅞	45	109	70	90	5
Houston Oil of Texas	167	79	109	26	116⅞	52¼	74¼	..
Hudson Motor Car	99⅞	75	92½	38	62⅞	25¾	30⅝	5
Hupp Motor Car	84	29	82	18	26⅝	13	14¼	2
I								
Inland Steel	80	46	113	71	98	68	†68⅝	4
Inspiration Consol. Copper	48⅞	18	66¾	22	30⅞	12½	16¼	2
Inter. Business Machines	166⅜	114	225	109	197⅛	152½	178¾	6
Inter. Cement	94⅞	56	102¾	48	75⅜	55¾	61	4
Inter. Harvester	97⅞	80	142	65	115¾	76	84	2½
Inter. Nickel	269½	73⅜	72¾	25	44⅜	21	24¼	1
Inter. Paper & Power "A"	86⅜	50	112	57	31½	17	†20¼	2.40
Inter. Tel. & Tel	201	139½	149¼	53	77⅜	40⅛	42⅛	2
J								
Jewel Tea	179	77¾	84½	45	66½	43	45½	4
Johns-Manville	202	96¼	242¾	90	148⅜	73¼	77	3
K								
Kennecott Copper	156	80⅛	104⅞	49⅜	62¾	37½	38½	3
Kresge Co. (S. S.)	91¾	65	57½	28	36¾	26¼	27⅝	1.60
Kroger Grocery & Baking	132⅛	73¼	122½	38⅛	48⅛	21	25	1

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS—(*Continued*)

	1928		1929		1930		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	7/2/30	Share
L								
Lambert Co.	136⅝	79½	157¼	80⅛	113	76½	82	8
Lehn & Fink	64⅞	38	68½	28	36	22¼	25½	3
Liggett & Myers Tob	132½	83⅛	106	80¼	113¾	85	93	5
Loew's Inc.	77	49⅛	84½	32	95¾	42⅛	65	3
Loose-Wiles Biscuit	88¾	44¼	88⅝	39⅛	70¼	50½	60⅝	2.80
Lorillard	46⅞	23¾	31½	14¼	28⅛	16⅛	18½	..
M								
Mack Truck, Inc.	110	88	114¾	55⅛	88½	46¼	52	6
Macy (R. H.)	187¾	134	255½	110	159¼	109	116½	3
Magma Copper	75	43¾	82½	35	52½	28¾	†33⅛	4
Mathieson Alkali	190	117¾	72⅝	29	51⅜	32⅝	37	2
May Dept. Stores	118½	75	108¼	45½	61⅜	42¾	45⅝	2
McKeesport Tin Plate	78⅝	62½	82	54	89½	61	74⅝	5
Mont. Ward & Co.	156½	115¼	156⅞	42⅝	49⅞	31	34	3
Murray Corp.	194¼	21⅛	100⅞	14⅞	25¼	12½	15	..
N								
Nash Motor Co.	112	80¼	118⅞	40	58½	30⅛	32⅝	6
National Biscuit	195¼	159½	236¾	140	93	71	82¼	2.80
National Dairy Prod	133½	64⅛	86⅛	36	62	45¼	49⅛	2
National Lead	136	115	310	129¼	189½	125	†131¼	8
National Power & Light	46⅝	21⅞	71¾	23	58¾	32	37⅞	1
Nevada Consol. Copper	42⅜	17¾	62⅞	23¼	32¾	15½	16½	1½
North American Co.	97	58⅝	186¾	66⅛	132⅞	89¼	93⅛	..
O								
Otis Elevator	285½	147⅛	55	22¼	80⅜	55	61⅜	2½
Otis Steel	40½	10⅛	55	22¼	38⅞	25	26½	2½
P								
Pacific Gas & Electric	56⅛	43½	98¾	42	74⅞	52⅛	56	2
Pacific Lighting	85⅝	69	146½	58⅛	107⅞	72	78	3
Packard Motor Car	163	56¼	32½	13	23⅜	12½	13½	1
Paramount Publix	56⅝	47¼	75½	35	77¼	48⅝	55½	4
Penney (J. C.)	..	..	105¼	66	80	48	51	3
Phillips Petroleum	53⅞	35¼	47	24¼	44¾	29⅛	31⅞	2
Prairie Oil & Gas	66⅝	59½	65⅝	40½	54	36	37½	2
Prairie Pipe Line	..	..	65	45	60	44⅛	45	5
Public Service of N. J.	83½	41½	137¾	54	123¾	81½	93½	3.40
Pullman, Inc.	94	77⅞	99¼	73	89⅜	62	65	4
Pure Oil	31¼	19	30⅜	20	27¼	19⅛	20⅞	1½
Purity Bakeries	139⅝	75	148⅝	55	88⅞	52	58⅝	4
R								
Radio Corp. of America	420	85¼	114¾	26	69⅝	32½	34¾	..
Remington-Rand	36½	23⅛	57¾	20⅜	46½	23	26	1.60
Republic Iron & Steel	94½	49⅛	146¼	62¼	79½	37¼	42	4
Reynolds (R. J.) Tob. Cl. B	165½	126	66	39	58⅝	45¼	50½	3
Richfield Oil of Calif	56	23½	49⅝	20	28¼	14¾	16	2
Royal Dutch	64	44⅝	64	43⅛	56½	49⅛	52½	1.31
S								
Safeway Stores	201¾	171	195¼	90⅛	122⅜	75¾	80¾	5
Schulte Retail Stores	67⅛	35¾	41⅛	3½	13½	4¼	6⅞	..
Sears, Roebuck & Co.	197½	82⅛	181	80	100⅝	59⅝	63½	2½
Shell Union Oil	39⅜	23¼	31¾	19	25½	18	18¾	1.40
Simmons Co.	101⅜	55¾	188	59⅛	94⅞	22¼	24½	3
Sinclair Consol. Oil Corp	46¾	17⅝	45	21	32	20	21¾	2
Skelly Oil Corp	42⅝	25	46½	28	42	28½	30¼	2
Standard Brands	..	..	44¾	20	29¼	17	19	1½
Standard Gas & Elec. Co.	84⅝	57⅞	243¾	73½	129¼	84⅛	90	3½
Standard Oil of Calif	80	53	81⅞	51½	75	55½	59⅞	2½
Standard Oil of N. J	59⅜	37¾	83	48	84⅞	58	65½	2
Standard Oil of N. Y	45½	28¾	48⅛	31¾	40⅜	30	31½	1.60
Sterling Securities, A	..	..	38	8⅛	20½	10	10⅝	..
Steward-Warner Speedometer	128⅛	77⅛	77	30	47	19⅛	20¾	1
Stone & Webster	..	..	201⅛	64	113⅜	70½	77	4
Studebaker Corp.	87⅛	57	98	38⅛	47¼	25¼	27½	4
T								
Texas Corp.	74⅝	50	71⅞	50	60½	50⅛	51¼	3
Texas Gulf Sulphur	82½	62⅛	85¼	42⅛	67⅜	48⅛	52½	4
Texas Pacific Coal & Oil	26⅝	12⅛	23⅞	9⅛	14½	8¼	9⅜	..
Tide Water Assoc. Oil	25	14¾	23½	10	17¾	10¾	14⅛	0.60
Timken Roller Bearing	154	112⅝	139⅜	58⅛	89¼	57⅛	58⅞	3
Transcontinental Oil	14½	6¾	15⅛	5⅛	24	16¼	17⅞	0.30
U								
Underwood-Elliott-Fisher	93⅞	63	181¾	82	138	83	86¾	5
Union Carbide & Carbon	209	136⅛	140	59	106⅝	60⅛	68¾	2.60
United Aircraft & Trans	..	..	162	31	99	43⅛	51⅝	..
United Cigar Stores	34⅝	22⅞	27½	3	8⅛	6¼	7½	..
United Corp.	..	..	75⅛	19	52	28⅜	31½	0.50
United Fruit	148	131⅛	158⅛	99	105	83	87½	4
United Gas Imp.	..	..	59⅝	22	49⅝	31¼	35¼	1.20
U. S. Pipe & Fdy	53	38	243⅝	95	38¼	18⅛	27	2
U. S. Industrial Alcohol	138	102⅛	55⅞	12	139⅜	62	68	7
U. S. Realty	93⅝	61¼	119½	50⅛	75½	48¼	50¼	5
U. S. Rubber	63¼	27	65	15	35	20	21½	..
U. S. Smelting, Ref. & Mining	71½	39½	72⅞	29⅞	36½	17¾	18	1
U. S. Steel Corp.	172½	132⅝	261¾	150	195¾	151⅝	156⅞	7
V								
Vanadium Corp.	111⅛	60	116½	37½	143¼	49⅞	79	4
W								
Warner Brothers Pictures	139¼	80⅞	64½	30	80¼	38½	41⅛	4
Western Union Tel.	201	139½	272¼	155	219⅜	150¾	163¾	8
Westinghouse Air Brake	57⅝	42⅛	67¾	26½	52	36⅝	38¾	2
Westinghouse Elec. & Mfg.	144	88⅛	292⅝	100	201½	124¼	135¼	5
White Motor	43¾	30¼	53½	27¼	43	27½	31¼	2
Willys-Overland	33	17⅝	35	5¼	11	5¾	6	..
Woolworth Co. (F. W.)	228⅝	175½	103⅞	52¼	72⅝	51⅝	56¼	2.40
Worthington Pump & Mach	55	28	137⅜	43	169	67⅛	126½	..
Y								
Youngstown Sheet & Tube	115⅝	83½	143	91	150¼	108	†112	5

* Ex-dividend. † Bid Price. § Script.

Securities Analyzed, Rated and Mentioned in This Issue

Important Corp. Meetings

Company	Specification	Date of Meeting
Amer. Tobacco	Special	7-28
Amer. Zinc	Special	7-23
Austin Nichols	Directors	7-16
Bulova Watch	Directors	7-18
Checker Cab Mfg.	Directors	7-16
Inter. Nickel	Special	7-25
National Supply	Special	7-17
United Carbon	Special	7-17

Insurance and the Economic Value of Man's Life

(*Continued from page 481*)

could obtain approximately $15,000 coverage on the ordinary life plan. Assuming that $3,000 of this amount were paid to the beneficiary in a lump sum, to defray last sickness expenses of the insured and liens against his estate, the remaining $12,000 could with advantage be paid to the widow *in the form of income.* If this income were guaranteed for ten years after the insured's death, the monthly payments during that period would be about $118, and this would give the mother a modest independence until the children were old enough to fend for themselves. If the $12,000 were left to the widow as an income *for the remainder of her life* on the husband's death, it would provide a guaranteed income of about $600 a year, the exact amount depending on the beneficiary's age.

In dealing with an earned income of $2,500, it is of course obvious that the death of the wage-earner will considerably reduce expenses. A man earning $2,500 a year must spend something on himself, and it may be assumed that one-third of his income goes in this direction. Clothing, carfare, lunches, medical expenses, and some social activities may naturally be looked upon as legitimate expenses of the head of the house. A number of court decisions in cases of accidental death are undoubtedly based upon careful scientific reasoning and research, and factors of personal expenses and living costs of the breadwinner are taken into account. Another point that the court also considers is that the worker does not continue active in old age. His effective years of life range to about age 65.

Protection Based on Earnings

If we deal therefore with an earned income of $2,500 a year, we might deduct one-third for personal expenses, and treat the balance as a temporary annuity running to age 65. We find that the basis on which the courts (when they are guided scientifically) instruct and make these awards would give a value of approximately $25,000 for a life at age 30 earning $2,500 a year. The variation from this basis in the awards above illustrated are doubtless caused by the sympathy of juries and the difference in interpretation of the various deductions. It is quite obvious, however, that when a man is accidentally killed a very much higher valuation is put on his earning power than he had himself placed on it.

Adequate protection does not necessarily imply wealth and the leaving of a large estate. It does imply, however, that a home, nourishing food, and proper clothing should be provided for the family, with means to educate the children in elementary grades at least, until they can help toward their own support.

The Practical Basis for Valuing Common Stocks

(*Continued from page 461*)

existing in the many industrial stock groups.

American Can common is one of the most popular and actively traded issues; and should be of special interest to readers of THE MAGAZINE OF WALL STREET on account of the recommendation for its purchase which was made in the June 28th issue. Applying item No. 1 of the composite yardstick, the price-earnings ratio is 110 to $8.00, or 13.8 to 1. This is above the old-time rule of 10 to 1, and yet under the discarded "new era" ratio of 15 to 1. Consequently, the normal or average weighting already in the composite yardstick—namely, 10%—appears reasonable, when applied to this one factor, and purely on the basis of a comparison of price-earnings ratios.

Turning now to item No. 2—past record, management, etc.—American Can common has an outstandingly fine record. Several paragraphs back such a premiere investment issue as American Telephone was accorded an 80% weighting on this one factor, as compared with the composite average for all stocks of 25%. Certainly a fair figure for American Can is 40%, or fully 15% above the normal average.

And when we consider the current technical position of the entire market, and of American Can in particular, the matter of what weighting to assign at this time to item No. 3 of the composite index is not difficult to ascertain. Price levels of the general market averages declined sharply during part of May and most of June; and American Can was a popular favorite early this year, naturally acquiring during its reign of popularity a rather large following of the so-called "weak" holders, who are unable to properly protect their purchases in times of market stress and weakness. Accordingly, it appears to have been subjected to more artificial, forced liquidation than the general average of stocks. A weighting in the composite index of 30%, against

the 15% for average conditions, appears very reasonable and fair.

As for money conditions now prevailing, certainly the 2½% rediscount rate prevailing in the New York Federal Reserve District, and 2% call money on the floor of the exchange, speak for themselves. Money conditions are abnormally favorable, insofar as they affect the price of securities and the possibilities for speculative activity. Instead of the composite average weighting of 10%, a figure of at least 20%, and preferably 25%, appears fully justified at this time.

Item No. 5—future prospects, mergers, competition, etc.—is another of the sides of American Can common that make it especially popular with investors. The business is an essential one—closely identified with the food industry; the business appears to have excellent growth prospects; competition is certainly present, but not of the extreme cut-throat type; mergers and consolidations are definitely a possibility of the future; and extra dividends, stock split-ups and special disbursements to stockholders are a very real probability of the years to come. Compared with the average composite index weighting of 40% for item No. 5, a figure of 60% appears fully justified.

Application to American Can Summarized

Summing up the picture, as it now stands, of the composite yardstick applied to American Can common, we have:—

	Composite Average	American Can
Item No. 1....	10%	10%
Item No. 2....	25	40
Item No. 3....	15	30
Item No. 4....	10	25
Item No. 5....	40	60
Total index	100%	165%

The final result shows American Can common stock evaluated at 65% better than the general average; and considering present market and other pertinent conditions, this means a ratio of 16.5 to 1, or that 16.5 times earnings is a reasonable market-price level for this stock at the present time, and under present conditions. Multiplying the anticipated earnings of around $8 by 16.5 gives a market price of close to $132 as the final outcome of applying the five factors in the new yardstick of value.

For an investor who follows the market news fairly regularly from day to day, and who reads from time to time a reasonable number of detailed individual security analyses—such as are presented in every issue of The Magazine of Wall Street—the matter of when money rates are low, when the technical situation is favorable and what earnings are being estimated for the current year, are all easily ascertained. The determination of the individual weighting percentages to be used in the composite then becomes a matter of judgment; and if through lack of full information, some gross error is made in the percentages allotted, still the final evaluation will not go badly astray, on account of the very composite nature of its construction and the likelihood that high estimates on one or two items will be offset by too low estimates on others—the composite net result automatically averaging out these irregularities.

It is important to bear in mind that rails and utilities have qualifications inherent in their particular industries that do not exist in the case of strictly industrial stocks. Restraining influences caused by commission regulation, increased stability of earning power and steady annual expansion of power requirements are factors of prime importance peculiar to such issues. A detailed analysis and discussion of these interesting problems will be presented in an early issue.

It is undoubtedly true that for some years to come there will be a great divergence of opinion as to the most acceptable valuation of a given common stock. Many investors will continue to hold to fixed ideas which have been matured after many years of experience. On the other hand, there are those whose entire market experience runs back only about ten years, and who have known only one type of a market—a bull market. Having formulated their evaluation formula on price trends that move almost continually in one direction, they are today hopelessly floundering around, unable to cope with the materially altered state of affairs.

The Magazine of Wall Street presents this new yardstick for evaluating common stocks as a guide to investors at this trying time—when optimism has given way to unwarranted pessimism, and some sound thinking is essential in order to preserve an unimpaired perspective and to be able to recognize true value instantly when it appears in the picture.

We have used this new method with great success in our own work; and yet we are frank to recognize that no set rule can be laid down applicable under all market conditions, and that there should be different valuations for investments in different markets. The new composite, weighted yardstick—especially designed to be flexible and adaptable to changing market conditions, and yet simple, practical and workable—appears to be the answer.

On Steel, Air or Rubber

(Continued from page 458)

pany conducted a motor truck freight service in co-ordination with both the steamship lines of the New Haven and also the rail service. At that time, the transportation company had 90 trucks in service operated on more than 50 different routes. Commenting upon this feature of the coordinated service, Mr. Buckland said, "it is believed that this will not only increase the freight movement but will provide speedier and more economical service."

The Central Railroad of New Jersey is pushing its motor bus service, both within and without the territory served by its railroad lines.

The foregoing gives a rough outline of what the railroads are doing with respect to coordinating a motor bus service with their rail service. They have been criticized severely for having spent much time and money in publicity against unregulated and untaxed motor bus service by private individuals or outside corporations, instead of taking steps to meet this new competition by putting on an even better service of the same kind.

Gasoline Transports

Whatever may be the attitude of the railroads now or in the near future, the fact remains that bus transportation is being conducted on an ever-increasing scale in this country, and that the railroads so far have or control only a comparatively small part of it. It is claimed that approximately 50,000 buses, operated by 6,000 independent companies, are on the highways. Not a few bus systems are transcontinental in scope with sleeping accommodations similar to Pullman service. It is estimated that last year the stupendous number of 1,768,000,000 passengers, or nearly the population of the entire world, were bus patrons. No matter if the number is only approximately correct, certain it is that the whole number who travel by buses of all kinds, for short and long distances, is enormous, and probably increasing materially.

So far most of the steam railroads have met this situation only tardily and reluctantly, and only because they felt compelled "to do something about it." In this connection it is interesting to note that the St. Louis-San Francisco Railway recently put into effect a passenger fare from St. Louis to Mem-

this lower than the bus fare between those points, in order to see whether the people would take the railroad train, if it cost less, rather than to meet bus competition. This experiment was based upon the established fact that, broadly speaking, the bus has been used very generally because the fare was less. Apparently, it is a question of money more than of comfort. Southern Pacific recently posted a passenger rate between San Francisco and Chicago, less than the bus rate, largely as an experiment also. The two interesting and important points in connection with these two experiments are whether the railroads can get the business from the buses and whether the former can afford to maintain a regular passenger service at less than present bus rates, which are substantially below current railroad rates.

Long Truck Hauls The motor truck is being used in this country on an amazingly large scale to haul less than carload lots of freight traffic of pretty much every kind, not only short, but surprisingly long distances. Perishable vegetables and fruit are brought to the New York market by trucks, not only from the most distant points on Long Island, the market gardening sections of New Jersey and southeastern New York State, Connecticut and Massachusetts, but also from Maryland and other states equally far south. It is these longer hauls of this kind of freight that has cut most heavily into the freight business of the railroads.

The short haul business being less profitable is small loss to the rail carriers but trucks operating over hundreds of miles between terminals, making high speed and operating 24 hours a day by shifting drivers are indeed strong contenders for freight that rightfully should go to the railroads.

Very few people any longer charter a freight car if they wish to move their household goods from Buffalo to New York or even from Chicago and Detroit to New York or Boston. Rather, they engage a moving van specially designed for such long runs. The cost is about the same in the end and the service altogether quicker and more satisfactory.

Cattle also are transported long distances by motor truck from the feeding grounds to the primary markets. Last year 22 per cent of the receipts of live stock at 16 such markets came by motor truck. The number of cattle received this way at those markets nearly trebled that of 1925. It is estimated that the live stock shipped

by truck, if transported by rail, would have aggregated 152,000 carloads, and that they would have had a total value of $410,000,000.

Can it Be Met? The big question from the railroad point of view is can this competition be met and should it be met? To a considerable extent a negative reply must be made to the first part of the question, and the latest official advices indicate that the leading railway executives are not certain in their own minds as to how far they should go in answering the second part of the question. Up to this time they have met motor truck competition even more reluctantly than that of the motor bus.

Some idea of what it means to meet this competition may be had from the following figures. At the end of 1929 there were 3,379,854 motor trucks registered in the United States, an increase of 38 per cent since 1925, and in contrast with only 1,006,082 on the corresponding date of 1920.

An Old Idol Falls The effect of motor truck competition is shown in an approximate way by the fact that Class I steam railroads, in 1920, handled 89,901,495 tons of less than carload lot freight. In 1928, the amount had dropped to 63,260,249 tons, a decrease of 29.7 per cent from 1920.

This decrease, and more, represents the business which went from the railroad to the truck. It has a still greater significance however in its bearing on the statements of car loadings which have been so long revered as an index of distribution and of general business activity. As a matter of fact unless the car loadings figure for Class I railroads reported weekly is supplemented by the volume of freight transported by motor truck, an inaccurate and unreliable impression of business movements is created. This has been particularly true recently, when great emphasis has been given to the declining tendency in total car loadings.

In addition to this it must be remembered that calculations are further upset by the fact that more tons of freight are loaded into the larger capacity, modern car than in those of former years. Thus when the railroads are reported as carrying nearly a million cars a week as they are, it is an inadequate measure of the volume of business moving in the country, but is definite evidence of a vast freight tonnage moved over rails, despite the competition of the motor truck.

Competition from the airplane is a feature of the situation to which the railroads have been required to give comparatively little attention. Realizing the severe criticism to which they had subjected themselves by not starting sooner to meet motor bus and truck competition, the executives of several of the large systems decided to avert anything of this kind in connection with the airplane.

Accordingly, the Pennsylvania, New York Central in the East, and the Atchison in the West bought an interest in established airplane companies that have been operating between various important points from the Atlantic to the Pacific, and arranged for a coordinated rail and air service. The agreement provided for traveling by train at night and airplane during the day.

Even the most optimistic of railway executives who became interested in this new medium of transportation, did not expect that the earnings of the railroads would be much affected one way or the other for some time, because of the new form of service. In other words, they did not look for large profits and doubted that there would be heavy losses.

That their judgment was correct has been substantiated by the limited figures so far obtainable. President Storey of the Atchison said only recently that, as a result of its arrangement with the Transcontinental Air Transport, that company is handling 10 or 12 passengers a day each way from that source.

It is to be doubted that the use of the airplane for passenger traffic, either as carried independently by private companies, or in connection with the railroads, will develop with anything like the rapidity that has been true of the motor bus and truck.

Although the airplane companies have reduced their fares considerably the combined fare is still more than the average individual can pay. Fear of accident in the air has kept many people from taking the rail-air service. Only recently a prominent New Yorker, who had made the combined rail-plane trip for the first time—New York to Detroit—said upon his return: "Never again, the railroad all the way for me." This fear element however, will lessen gradually as time goes on, and as air travel is made safer.

Safe and Profitable From all of which it is evident that whereas some strong bids for railroad business have unquestionably been made by the newly developed means of transportation, the rails are far from fighting a losing battle. They maintain their place in the sun by bettering service, providing faster, cheaper or more comfortable transportation where competition can be so combatted, and by going out and embracing the competitive forces when such combat is inadequate. Incestors' faith need not be shaken in our rails and standard railroad securities can be purchased and held for both income and profit.

Why the Oils Should Pay Larger Dividends

(*Continued from page* 463)

is, whether or not the withholding of earnings for future reinvestments in an industry already suffering from overcapacity will further undermine the earning potentialities of the present assets of the oil companies.

In spite of the over-abundant supplies of crude and the over-built refining and marketing equipment that exists at present, no one really well informed about the petroleum industry questions the wisdom of the conservative dividend policies of the leading oil companies in the past—nor that the surplus earnings of these companies have been wisely spent. Particularly in technical advancement, the petroleum industry can stand comparison with any major industry in the world. Through improvements in methods and equipment in the refining division of the industry, gasoline yield from crude oil has been increased from about 20 per cent a decade or more ago to about 40 per cent at present. Through the treatment of heavier oils by the so-called "cracking process," gasoline yields could be still further increased—probably to as much as 60 per cent at maximum efficiency, if the markets demanded such an output of this particular product.

The Threat of Science

And now comes another revolutionary technical improvement in refinery process. By the introduction of hydrogen in the treatment of crude oils, derivatives of the lighter refined products can be still further increased than by the cracking method. This new process which is just about to emerge from the laboratory stage to a commercial scale, is claimed to produce almost a barrel of gasoline from a barrel of crude oil. In other words, as far as gasoline output is concerned, the hydrogenation process holds the same potentialities as a 100 per cent increase in crude oil output.

Under the sponsorship of the German Dye Trust and the Standard Oil Company of New Jersey, prac-

tically all of the leading companies are participating in the hydrogenation process. While this process, when placed on an active commercial basis may be expected to again bring a bulge on the supply side of the markets for refined products, it is a striking example of the type of reinvestment of earnings that pays ultimate profits. Intelligent and foresighted shareholders will never begrudge their company any resources that go into scientific research and technical improvements, even though for the moment it may mean lower dividend payments. Were it not for the capital expenditures that the companies have made in technical improvements in the past, it is unlikely that the industry would have passed so comfortably through the difficult period of the past few years.

But for the future, capital expenditures must be determined by the economic necessities of the industry. Not only in the United States, but throughout the world, the known supplies of crude are far in excess of present needs. Russia is diligently working on a program of expansion that is calculated to bring 300 million barrels of petroleum products to the world markets by 1933; Venezuela and other South American fields are producing an increasingly rich yield; Rumanian petroleum production is on the upgrade; Mexico still has a huge potential supply that awaits only more settled political conditions for a resumption of the old-time exploitation in that country.

The future of the oil industry depends, therefore, not on uncontrolled expansion with excessive capital expenditures on enlarged output but rather on its ability to conserve a precious natural resource and bring its refined products to the markets without demoralizing them. The industry enjoys sufficient operating and technical efficiency to balance supplies with demand, but it must be careful that further capital expenditure does not invoke the law of diminishing returns. From a strictly financial standpoint this precaution might well take the form of larger future dividend payments to oil stock investors.

Correction

In the June 28th issue the earnings of R. J. Reynolds for 1929 were shown as $3.02. This was an error and should have read $3.22.

For Feature Articles
to Appear in
The Next Issue
See Page 449

Answers to Inquiries

(*Continued from page 486*)

earnings of $2.17 reported for the first six months of 1929. Although we do not look for any such increase during the current year, as was registered during 1929, we are of the belief that results for 1930 should make a favorable comparison with the average of $9.88 a share on 300,000 common shares for the past three calendar years. While not undervalued at present levels, in comparison with earnings, the shares offer interesting speculative possibilities for holding over the longer term.

QUAKER OATS CO.

In view of the strong competition in its field and the present market tendency to depreciate practically everything but earnings, do you think that Quaker Oats common is entitled to sell at more than 15 times its 1929 earnings? I have 20 shares at 245. Shall I retain or put the money into other stocks to secure better diversification and possibly improve my possibilities for profit?—E. R. B., Alton, Ill.

The Quaker Oats Co. occupies an outstanding position in its field, its trade-marked products being known to practically every home. The company is engaged in the manufacture and sale of cereal foods and by-products, including, among others, "Quaker Oats," "Puffed Rice," "Puffed Wheat," "Aunt Jemima Pancake Flour" and "Muffets." It also manufactures macaroni and spaghetti, and during last year introduced to a restricted territory a new cereal, made of corn, wheat and oats, and sold under the trade-name of "Quaker Crackels." The company is constantly expanding its facilities, and expects to receive considerable benefits, as time progresses, from its more aggressive foreign advertising. With the exception of 1925 and 1927, earnings have shown improvement in each year since 1923. Net income for the calendar year of 1929 amounted to $8,735,-200 or $13.09 a common share, as compared with $8,329,600 or $12.89 a share for 1928 and $7,870,600 in 1927. Financial position, as of December 31st, last, was exceptionally strong, the company reporting current assets of $36,650,145 of which $2,044,900 was cash and $10,193,113 Government securities; against current liabilities of $8,656,242. In other words, for every dollar of current liability, there was more than four dollars of current assets. The company has no funded debt, its capitalization consisting of $18,000,000 6% cumulative preferred stock ($100 par value) and 702,000 shares of no par common stock. The management has been liberal in the policy of dividends, and while its shares at present levels (approximately 205) are not undervalued we are of the belief that patient shareholders will be well rewarded by further retention. However, in view of the fact that the issue is closely held, trading is comparatively small, with the result that commitments should not be made for the short swing.

ENDICOTT JOHNSON CORP.

A recent newspaper item contained information to the effect that Endicott Johnson was now earning its annual common stock dividend of $5 and that no inventory adjustments should be necessary this year. Would you advise, therefore, that I average around 50? I have 40 shares at 76.—S. M. C., Natchez, Miss.

Endicott Johnson Corp. occupies an important position in the shoe industry, and is well organized from the standpoint of production and distribution. Its plants, located in and around Endicott, New York, are not only equipped for the manufacture of shoes, but were built for the purpose of producing rubber heels and soles, used in the factories, and to tan about 90% of company's leather requirements. Sales organization consists of several controlled retail stores, while broadening of sales policy in recent years has been accomplished through contracts with department and retail stores. The unsatisfactory conditions in the leather industry in recent years has had its adverse effects upon earning power, the company reporting declines in net income in each year since 1927. Per share earnings for 1929 were equal to $5.01 as compared with $6.96 in 1928 and $8.68 in 1927. Earnings decrease during last year was attributed to heavy inventory write-offs and elimination of unprofitable lines. However, it should be noted at this point, that while results for 1929 were disappointing, the company appears to have turned the corner during the last six months of the year and from current reports, has been able to maintain the improvement during the early months of the current year. Although it is yet too early to anticipate 1930 full year earnings, we are of the opinion that comparatively good results will be registered. Moreover, in view of the satisfactory inventory position of the company at the close of last year, adjustments along these lines are not likely to be necessary. While we do not look for a substantial enhancement in quoted values for its shares during the immediate future, further retention of present commitments would appear to be justified, where a degree of speculative risk is not objectionable. Fresh purchases, however, should await definite indications of a prolonged upward earnings trend.

VANADIUM CORP.

The wide swings in Vanadium common have given me some quick and rather substantial profits prior to the recent market reaction. Now, however, I am holding 25 shares bought in May at 123. I plan to buy 25 more under 85. Would you rate such a commitment as an attractive speculation at this time?—C. L. E., Anderson, Ind.

In addition to playing an important part in the steel industry through its control of vanadium, a product used to strengthen steel, the Vanadium Corp. of America has, through recent developments, entered the chemical field. The chemical division of the company is in the early stages of development, and some time will of course be necessary before any substantial profits may be expected from this branch. The company's ilmenite mine in Virginia at which phosphoric acid products and titanium will be produced is expected to be ready for operation later this year. The greater part of the country's requirements of titanium now are imported. Net earnings of the Vanadium Corp. showed an increase in 1929, per share results being $4.91, as compared with $4.55 in the previous year. It is likely that earnings for the first six months of the current year will show some recession due to generally poor business conditions, but dividend requirements are expected to be covered. The sole outstanding capitalization of the company comprises only 378,367 shares of no par common stock, which makes the stock subject to pool manipulation. We would suggest retention of present holdings for the longer term, but point out that additional commitments involve considerable risk as wide fluctuations feature the market action of the issue. However, the stock now is at lower levels and additional purchases might be made if you are willing to assume the hazards involved in a highly speculative issue.

ROSSIA INSURANCE CO.

Will you please let me have your analysis of the nearby outlook for Rossia Insurance? Do you believe it will again become a speculative favorite when the market turns up? Is the present dividend secure? Shall I continue to hold 100 shares for which I paid 42?—A. K. R., Boone, Iowa.

Rossia Insurance Co. of America, although organized in April, 1915, did not begin to function until March, 1919. At that time the company, operating under a Connecticut perpetual charter, assumed the entire in-

surance business of the United States Department of Rossia Insurance Co. of Petrograd, Russia, which dates back to 1904. It is engaged in the reinsurance business, specializing in the fire and marine fields. Operations are international in scope, with risks well distributed, geographically. In view of the fact that the enterprise is a reinsurance company, no agencies are necessary, it acquiring its business by contract or treaty with direct insurance organizations, thereby eliminating expenses of such agencies. Since the beginning of the current year it has acquired control (through ownership of more than 85% of their capital stocks) of the Germania group of companies, reputed to be one of the largest organizations in Germany engaged in writing life, fire and casualty insurance. In April, 1930, Rossia International Corp. was formed, as a security affiliate, and it is expected the company will receive considerable benefit in future years from exchange of business with its closely allied companies. Earnings of the company for the past six years have been irregular, substantial increases being reported in 1927 and 1928, while a sharp decline was registered for 1929. Net income for the 12 months ended December 31st, 1929, was equal to $1.26 a share on 300,000 capital shares, against $11.25 a share on 240,000 shares for the 1928 calendar year. Poor earnings for last year reflect losses incurred through sale and depreciation in market value of securities held. However, it should be pointed out that dividend disbursements have been amply covered in past years, despite the irregularity of earnings. While we do not anticipate any marked enhancement in quoted values for its shares during the immediate future, in view of the company's sound financial position and capable management, further retention of present holdings is in order.

BARNSDALL CORP.

Would you advise holding Barnsdall common in anticipation of better earnings later on in the year? Is the $2 annual dividend safe? I have 50 shares at 32.—H. V. G., Hibbing, Minn.

With earnings of 63 cents a share reported for the first quarter, and an official estimate of about 90 cents for the second three months, operations of the Barnsdall Corp. for the full year 1930 may approximate the $3.25 a share earned in 1929. The estimate

for the second quarter was made on actual results of 2½ months of the period. Quarterly dividends of 50 cents a share will be covered by a fair margin for the first half year, and, based on past results, earnings may make better showing later in the year. The properties of Barnsdall Corp. have been expanded greatly in the past few years, production of crude oil stepped up, and transportation, refining and marketing activities widened. Operations of the company now include every branch of the oil industry. An important factor for the future is the new 800-mile gasoline pipe line which the company will build from the Oklahoma refinery to Milwaukee, Wis., at a cost of about $8,000,000. It has been estimated that the cost of gasoline transported through this pipe line will be about 1¾ cents a gallon, as compared with a cost of 3 cents a gallon in carload lots. The stock is speculative, but it is not without merit for holding over the longer term, and since dividends are being currently earned, we suggest further retention opposed to any action involving a sacrifice.

BUCYRUS-ERIE CO.

Bucyrus-Erie common and convertible preferred have been recommended to me for semi-investment by a conservative house. What are the nearby prospects for this company considering present business conditions?—B. G. T., Brunswick, Ga.

The Bucyrus-Erie Co. is a consolidation perfected in the latter part of 1927 of the Erie Steam Shovel and the Bucyrus Co. The corporation manufactures excavating machinery and kindred lines of all kinds, such as railroad wrecking cranes, pile drivers, etc. Operations of the constituent companies, both before and since the merger, have regularly resulted in substantial earnings, net for 1929 having equalled $6.74 per share on the convertible preferred and $3.70 per share on the common, against $5.28 and $2.43 on these issues in 1928. While the company does not issue quarterly reports, it is stated that operations in the current year are proving very satisfactory and indications are that net income for 1930 will compare favorably with that of last year. It is well to note that the unusual expenses in connection with the consolidation are now a matter of the past and from this angle, the company has clear sailing ahead. The management is alert and progressive and has shown a tendency to take full advantage of opportunities. It might be pointed out that the corporation should be one of the chief beneficiaries of the nation's road building programs in the current year, which call for the expenditure of

OVER-THE-COUNTER

IMPORTANT ISSUES

Quotations as of Recent Date

	Bid	Asked
Alpha Port. Cement Pfd. (7)	115	..
American Book Co. (7)	85	90
American Cigar Pfd. (6)	70	85
Amer. Dist. Teleg. (4)	81	87
Do Pfd. (7)	109¾	111
Amer. Manufacturing (3)	47	51
Do Pfd. (5)	60	67
Amer. Meter Co.	50	60
Babcock & Wilcox (7)	120	126
Bliss (E. W.) Co., 1st Pfd. (4)	50	..
Cl. B Pfd. (0.60)	9½	..
Bohack (H. C.) Co. New (2½)	71	76
1st Pfd. (7)	100	105
Bon Ami, B (3)	37	42
Colt Fire Arms (2)	23	26
Cleveland El. of Illum. Pfd. (6)	111	114
Congoleum Co. Pfd. (4)	105	..
Crowell Publishing (3)	73	77
Do Pfd. (7)	105	109
Detroit & Canada Tunnel	5¾	6¼
Dixon (Jos.) Crucible (8)	160	170
Dry Ice Holding	48	53
Fajardo Sugar	49	52
Franklin Rwy. Sup. (4)	50	60
Gt. Atl. & Pac. Tea Pfd. (7)	116	119
Merck Co. Pfd. (4)	70	80
Metropolitan Chain Stores:		
New Pfd. (7)	..	70

	Bid	Asked
Murphy (G. C.) (1.20)	40	60
Pfd. (8)	100	105
Neisner Bros. Pfd. (7)	100	115
Newberry (J. J.) Pfd. (7)	97	102
Remington Arms 1st Pfd. (7)	87	92
Savannah Sugar (6)	80	86
Pfd. (7)	85	95
Singer Mfg. Co. (10P)	455	475
Smith, A. O. (2)	190	200
Standard Screw (8)	110	120
United Porto Rican	19	21
Pfd. (3.50)	26	30
Wash. Ry. & Elec. (5)	450	550
Pfd. (5)	97	100
Welch Grape Juice (1)	51	59
Do Pfd. (7)	100	104
West Va. Pulp & Paper (2)	35½	37
Do Pfd. (6)	98½	..
Wheeling Steel (4)	70	75
Do Pfd. (8)	125	130
Do Pfd. B (10)	132	137
White Rock 2nd Pfd. (7P)	180	..
1st Pfd. (7)	98	103
Woodward Iron (4)	..	75
Pfd. (6)	97	..

P—Plus extras.

$2,500,000,000, or about $1,000,000,000 more than in 1929, thus offsetting any possible decline due to general business conditions. Financially, the company is strongly situated, and orders on hand at the beginning of 1930 were 76% greater than a year earlier. The convertible preferred appears distinctly attractive as an income producing medium with additionally good speculative possibilities, while the common possesses definite merit over the longer term from a purely speculative angle. Both are seemingly well liquidated at existing levels.

GOLD DUST CORP.

Is Gold Dust common an outstanding "buy" under 40? I have heard that current business is running ahead of the corresponding period last year, that earnings are likely to be increased by a larger profit margin and that there will be wider distribution of the company's products because of the affiliation with the recently organized United States Corp. I would appreciate your unbiased opinion and advice.—G. H. D., Gadsden, Ala.

Recent acquisitions of the Gold Dust Corp. evidently are beginning to augment earnings of the parent company, as current business is said to be comparing favorably with that for the similar period of 1929. The corporation has had the benefits of lower prices on its raw materials and the resultant wider margin of profit on its trade-marked products which are sold at standard prices. Consolidated earnings have shown an upward trend in the past few years and from present indications, 1930 income will equal, if not exceed, that for the previous twelve months. More time will be necessary for the corporation to reap the full benefits of the acquisition last year of Standard Milling and the American Linseed Co., the previous year, so that the outlook for continued expansion of earnings is promising. The greater part of Gold Dust's funded debt is expected to be retired this year and the position of common stockholders will be improved accordingly by this elimination of senior issues. With wider distribution of the company's products possible through United States Corp. channels, and an efficient management in operation, we look with favor upon Gold Dust under 40 and consider it suitable for a long term commitment.

AMERICAN BRAKE SHOE & FOUNDRY CO.

Do you think the market price of American Brake Shoe common is likely to advance when the expected upturn in the rails takes place? Is this a forlorn hope or shall I keep on holding 100 shares which seemed to work lower just as soon as I bought.—S. B. F., Newport, Ky.

While the falling off in equipment

(Please turn to page 510)

2,000,000 Shares

(400,000 Shares Reserved for Officers and Employees)

Hearst Consolidated Publications, Inc.

Class "A" 7% Cumulative Participating Stock

(Par value $25 per share)

Preferred as to Regular dividends at the rate of 7% per annum, cumulative, payable quarterly March, June, September and December 15. Entitled also to participate up to a maximum of 3% per annum, ratably with the Common Stock, after the Common Stock has received $1.75 per share in any year. The Participating dividend is payable simultaneously with any Common dividend in excess of an annual rate of $1.75. Redeemable, as a whole or in part, at the option of the Company upon 30 days' prior notice, on any dividend date, at $30 per share plus accrued unpaid Regular and Participating dividends. Preferred as to assets (subject to the prior rights of the then existing subsidiary Bond and Debenture holders), upon voluntary dissolution or liquidation, up to $30 per share, and in any involuntary dissolution or liquidation, up to $25 per share; in each case, plus accrued unpaid Regular and Participating dividends. No voting rights unless and until the Company shall have failed to pay four consecutive Regular quarterly dividend instalments, whether declared or not, in which event the holders of the Class "A" 7% Cumulative Participating Stock shall, during the continuance of the default, have the right to elect a majority of the Board of Directors.

DIVIDENDS EXEMPT FROM THE PRESENT NORMAL FEDERAL INCOME TAX

CAPITALIZATION

	Authorized	To Be Outstanding
Class "A" 7% Cumulative Participating Stock ($25 par value)	$100,000,000	$50,000,000
Common Stock—no par value	2,000,000 Shares	2,000,000 Shares

The additional $50,000,000 Class "A" Stock, authorized under the provisions of the Certificate of Incorporation, or the proceeds thereof, is reserved for the sole and exclusive purpose of redemption of, or the retirement by exchange of, the outstanding Bonds and/or Debentures of the subsidiaries. The Certificate provides that the Bonds or Debentures cannot be exchanged at a price greater for the Bonds or Debentures than their call price at the time of offer, and in any computation affecting the exchange by the company, Class "A" Stock must be computed at par. The present outstanding funded debt of the subsidiaries of this Corporation is $38,547,500.

Business and Organization: Hearst Consolidated Publications, Inc., has been organized under the laws of the State of Delaware, and has acquired through entire Common Stock ownership, eleven of the largest and most profitable Daily and Sunday newspapers owned by William Randolph Hearst, namely:

AVERAGE NET PAID CIRCULATION
Six Months Ending March 31, 1930

	Daily	Sunday	American Weekly
New York Evening Journal	630,368		
Chicago Evening American	569,167		
Pittsburgh Sun-Telegraph	178,192	352,362	352,362
Detroit Times	274,464	381,706	381,706
San Francisco Examiner	187,031	387,034	387,034
San Francisco Call-Bulletin	124,338		
Oakland Post-Enquirer	57,872		
Los Angeles Examiner	205,218	457,317	457,317
Los Angeles Herald	232,052		
Seattle Post-Intelligencer	104,724	165,598	165,598
American Weekly (in addition to above Sunday papers)			3,862,226
TOTAL Circulation	2,563,426	1,744,017	5,606,243

The above newspapers are outstanding in circulation and advertising volume in their respective communities.

The American Weekly's Sunday circulation, 5,606,243, is the largest of any known weekly publication in the world. According to estimates it is read every Sunday by in excess of 20,000,000 persons.

Total paid advertising lineage published by this group during 1929 was 143,207,737 lines. Total gross revenue from circulation and advertising during the year 1929 was $83,366,395.85.

The exceptionally favorable location of these newspapers in the largest cities of the United States indicates a continuous growth of these properties. The combined population of the cities and contiguous territory within a radius of fifty miles served by these newspapers, according to an estimate of the last census, is more than 32,000,000.

Earnings: The combined net income of the newspapers above referred to, after deducting interest charges on the outstanding funded debt, depreciation and Federal Income Taxes, as certified by Haskins & Sells, Accountants and Auditors, has been as follows during the last four years:

YEAR	Net Earnings as above	Times Dividend Requirements on Class "A" Stock
1926	$10,009,806.78	2.86
1927	10,162,284.00	2.90
1928	11,044,777.36	3.15
1929	12,854,626.69	3.67
Average	$11,017,873.71	3.14

Management: The same competent management of the subsidiaries will continue under the control of those persons who have been responsible for their success.

Application will be made to list this stock on the New York Curb, Chicago and San Francisco Stock Exchanges.

Price $25 per share

Subscriptions to this stock will be received at the Cashier's Office of

NEW YORK AMERICAN, Inc., or
NEW YORK EVENING JOURNAL, Inc., 220 South Street, New York, N. Y.

Arrangements have been made also with the institutions listed below to accept subscriptions to this issue at their offices, or any of their branch offices:

The National City Company

Continental Illinois Bank and Trust Company

Anglo London Paris Company
San Francisco

Crocker First Company
San Francisco

Bank of Italy
N. T. & S. A.
San Francisco

Bank of America
of California

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses of the highest standard. They will be sent free upon request, direct from the issuing houses.

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We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

STANDARD OIL ISSUES
We have available for distribution descriptive circular on all the Standard Oil issues. (219).

ODD LOTS
A well known New York Stock Exchange firm has ready for free distribution a booklet which explains the many advantages that trading in odd lots offers to both small and large investors. (225).

A SUGGESTION TO INVESTORS
This booklet explains in detail the features of Odd-lot investing. If interested, the prominent New York Stock Exchange firm issuing this booklet will be pleased to send you a complimentary copy. (278).

THE BACHE REVIEW
By reading this timely booklet but ten minutes a week you will be able to judge the market more accurately. Sent for three months without charge. (290).

FOR INCOME BUILDERS
The booklet describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Shows how a permanent independent income may be built through the systematic investing of small sums set aside from current earnings. (318).

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Are you profiting by the major and also the minor swings of the market? If not, you will be interested in the above booklet issued by a leading financial service in New York City. (377).

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An analysis of the Class A Stock of the Associated Gas & Electric Company, including charts, figures and descriptive information indicating the progress of the properties back of Associated securities. (492).

STOCK MARKET PROFITS—MAKING MONEY WITH MONEY
An interesting booklet describing thoroughly tested and successful methods employed in profitable stock market trading. Also a unique "One Outstanding Stock" method for the investor with limited funds. (504).

BONDS AND HOW TO BUY THEM
"Bonds and Stocks," "Classes of Bonds," "Factors of Bond Values," "How Bonds Differ and How to Select Them." These and other subjects of interest to the prospective purchaser of bonds are discussed in our booklet, "Bonds and How to Buy Them." Copy on request. (509).

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Issued weekly. Contains articles of interest regarding the properties controlled by H. M. Byllesby. Should be read regularly by every investor holding public utility securities. Send for a complimentary copy. (654).

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This interesting 12-page booklet, issued by the Investors Research Bureau, shows you just how to increase your stock market profits by turning your capital over at a faster pace than usually is possible by holding for the "long-pull"—or for several years. Send for your complimentary copy. (662).

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What is the future for the securities of this public utility? You can secure a satisfactory answer if you send today for 681.

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The investment portfolio of North American Trust Shares, the largest fixed trust in the United States, is composed of shares of common stock of outstanding corporations, deposited with Guaranty Trust Company of New York, trustee. Inquiries invited from banks, trustees, institutions, dealers and investors. Send for literature 735.

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A sixteen-page brochure, describing the history, management, progress and prospects, has been prepared by Normandie National Securities Corporation. Copy gladly mailed upon request. (738).

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have issued its annual report containing a history of the corporation, its earnings, statistical data, and services rendered. A complimentary copy will be sent to you upon request. (761).

AMERICA'S NEW FRONTIER
The strategic position of the small town in American industrial development is fully discussed in this booklet which has been issued by Middle West Utilities Company. Send for your complimentary copy. (773).

THIS WEEK'S TOBEY & KIRK MARKET LETTER
contains valuable information regarding present conditions in every section of the United States, secured from prominent bankers and business leaders. This digest will be forwarded upon request without obligation. (775).

THE COMMON STOCK OF THE SAXET COMPANY
is recommended by G. E. Barrett & Co. This company, through subsidiaries, produces natural gas, oil, sand, gravel and railroad ballast from large reserves and sells to important and diversified markets in the Gulf Coast area of Texas. Traded on the New York Curb Exchange and Chicago Stock Exchange, this security offers exceptionally attractive possibilities. Send for details. (776).

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which include those of many companies that are vital factors in the great industrial structure of the United States, have attracted investment capital from probably every state in the Union. Careful analyses of these securities will be gladly furnished by Otis & Co., prominent investment bankers of Cleveland and members of New York Stock Exchange. Send for literature. (777).

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The current semi-monthly review contains comments on the new base for stock prices. Send for your complimentary copy now. (778).

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is analyzed in the current Weekly Review issued by Prince & Whitely. Send for 781.

NATIONAL SECURITIES INVESTMENT COMPANY
The allotment certificates consisting of one share of 6% preferred stock, ⅛ share of common stock and warrant good to January 1, 1934, to buy ⅛ share of common for $7.50, listed on Chicago Stock Exchange, and yielding around 7½% at 80, are recommended by A. G. Becker & Co., dealers in sound securities for investment. Send for literature 782.

(*Continued from page 506*)

buying by railroads and automobile companies will tend to lower earnings of the American Brake Shoe & Foundry Co., the company's activities are well diversified, the greater part of its business being in the replacement market, and results for the current year are expected to be generally satisfactory. Earnings from the automotive branch have been adversely affected by the recession in the automobile business, but this division contributes but a small part of the total earnings of the company, more than 50% of the income being derived from its widely diversified replacement market. The net income for the year ended December 31st, 1929, was at a new high figure, being equivalent to $5.50 per share, including equity in profits of associated companies, as compared with $4.88 a share on the same basis in 1928, and the $2.40 annual dividend rate. Dividends have been paid without interruption since the company was recapitalized in 1920. Earnings would be considerably augmented by resumption of buying by carriers, which is looked for later in the year and meanwhile the company is in a strong current financial position, management is conservative and we are of the opinion that holders may safely retain their equity for the longer term.

Speculations in Bonds

(*Continued from page 468*)

tionally high yield for a short term security. The obligation was originally guaranteed both principal and interest by the American Railways Co., which later became the American Electric Power Co. In 1925, the latter became a part of the National Public Service Corp. which assumed the guaranty. The Altoona & Logan Valley Electric Railway Consolidated 4½s due August 15th, 1933, may therefore be considered an obligation of the National Public Service Corp.

There are only $4,000,000 of these bonds outstanding, and therefore the market is not nearly as active or as close as in the case of some of the larger issues, but for income purposes or even appreciation in the near future, the issue offers considerable attraction. Specifically, the issue is a first mortgage on 55 miles of street and interurban electric railway, including the lines in Altoona, Pa., and those extending from that city to Hollidaysburg, Tyrone, and Bellwood, and additionally secured by the deposit of $58,000 of $59,000 entire capital stock of the Home Electric Light & Steam Heating Co. of Tyrone. Electricity is supplied by the company to 3,892 consumers in 12 communities, street railway service to 3 communities, and interurban service to 9 communities.

Gross earnings of the company in 1929 were $1,229,354 and net income after depreciation applicable to interest charges was $408,330 or 1.56 times such charges. More significant, perhaps, are the earnings of the guarantor corporation, National Public Service Corp. In 1929, this company reported total operating gross of $31,709,518, derived chiefly from electric and gas service; and after expenses, taxes and depreciation, net was $12,349,852. Interest charges of the system were earned 1.93 times, and figuring prior subsidiary and minority charges together with interest charges, these were earned 1.52 times. Both ratios indicate a large margin of safety for the bonds of the system.

In view of the short maturity of the bonds, approximately three years, the recent price of the Altoona & Logan Valley 4½s returns a yield of almost 10% to maturity and being guaranteed as to principal and interest by a large utility system they would be attractive even at considerably higher levels.

Continental Can

(*Continued from page 477*)

present output consists of containers for general industrial uses.

During the past two years Continental's manufacturing units have been increased from 17 to 35, a new plant will shortly be completed in Jacksonville and the capacity of the Cuban unit will be greatly enlarged. More recently it was announced that a plant will be erected at Camden, N. J., adjoining the Campbell Soup Co., for the purpose of supplying the latter company with its entire container requirements. The acquisition of a stock interest in Metal Box & Printing Industries, Ltd., the largest English manufacturer of tin containers, is another important development. Not only has the company's expansion program enlarged its output materially but the resulting geographical diversity should render earnings less susceptible to sharp changes. Last year nearly $7,000,000 was spent on newly acquired properties and these expenditures should bear fruit in the form of increased operating efficiency.

Financial position at the end of 1929 left nothing to be desired, cash alone being more than five times greater than current liabilities. A conservative policy of depreciation is followed and capital structure is simple, consisting of 1,725,045 shares of common stock, paying annual dividends at the rate of $2.50 a share.

Earnings applicable to the common stock last amounted to $5.02 per share, comparing with $4.35 on a smaller capitalization the previous year. Latest reports presage a further increase in sales and earnings in the current year and with nothing to mar the outlook for the food packing industry, there appears to be an excellent chance that Continental Can will show profits approximating $6 a share on the common stock. A larger dividend thus appears to be a logical expectation.

With a price range this year of 71⅞ and 50⅛ and currently selling around 54 the shares present a desirable opportunity to participate in the future growth of a company which is coming rapidly to the fore in an important industry.

Is the Business Cycle Scraping Bottom?

(*Continued from page 455*)

We simultaneously ceased to finance the outside world and cut down our purchases from it.

The Pressure Of Savings The same pressure that is certain ere long to stimulate business activity within the United States will expand foreign financing again. We save more than we can or should invest at home. This country at the lowest ebb, even when as now there may be three million to five million men out of work accumulates about $600,000,000 a month with which to do something new, invest, spend for luxuries or speculation. The itch of the owners of these savings to get them to work, the rapidly lowering surpluses of finished goods, the lessening stocks of raw materials and the ambition of entrepreneurs must soon increase foreign loans and domestic investments in new enterprises, extensions and improvements.

While the hand-to-mouth buying habit of the country of recent years prevented great accumulations of goods in distributive channels it did not prevent tremendous overselling of the ultimate consumer. That condition is reflected in the two per cent decline in retail sales and partly in the comparatively small shrinkage of debits to individual bank accounts. But the decline in retail purchases is more a matter of congratulation for its smallness

than of concern for its existence. Restricted production in lines that eventually reach the masses of ultimate consumers cannot long persist in the face of even the minimum buying consumption of 120,000,000 people. The decline of coal and coke production, the setback in electric power production, the reduction of automobile output, the 71 per cent rate of operation in the steel industry, the curtailment of lumber, the cut of copper output by about one-third, the decrease in factory employment—all these show that the volume of goods flowing into distribution is greatly reduced. It's a painful adjustment, but it gets results. At the same time the reductions in the prices of raw materials and foodstuffs are now reaching the retail buyer. The cost of living is getting lower in proportion to the country's shrinking income. It is true that labor rates—at least in the highly organized trades—are not shrinking, but that has its compensation in the fact that payrolls are not shrinking faster than employment. Wages and salaries are the principal means of exchanging products. In the barter age producers exchanged their goods directly. Now they do so through money, and wages and salaries produce the money. Furthermore, when production again becomes active there will not be the occasion for labor disturbances that there would have been if pay rates had gone down with the descent of the number of jobs.

Now, while we shall have to hold that the gold shortage is not yet powerful enough to prolong the present contraction, the question of credit is another matter. There is much in the present scientific study of business cycles to support the theory of Carl Snyder that business expansion and contraction are primarily matters of credit. The theory is that if credit facilities were expanded from year to year at the same rate as the long time growth of the volume of business which is about 4 per cent, we would have no marked spurts or setbacks. But credit is not rationed, it runs wild—sometimes there is too much and sometimes there is too little. The symptom of the credit condition is the rate of interest. A shortage of credit is first evidenced by an increase of interest rates. Then trade declines, prices fall, a crisis arrives and depression ensues.

Falling Money Rates, Rising Credit

An approaching abundance of credit is indicated by low interest rates—and on the upturn of the business cycle we always find: (1) Low interest rates; (2) increasing bank loans; (3) expandin

MARKET STATISTICS

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Saturday, June 21	86.92	215.30	128.60	189.70	184.93	1,966,610
Monday, June 23	86.81	219.58	128.88	190.56	182.19	3,836,440
Tuesday, June 24	86.74	211.84	126.00	191.80	182.42	2,865,950
Wednesday, June 25	86.41	215.58	125.03	185.50	179.12	3,395,520
Thursday, June 26	86.46	220.58	128.13	190.40	183.95	2,272,080
Friday, June 27	86.44	218.78	126.98	190.65	184.05	2,081,160
Saturday, June 28	86.39	219.12	126.63	188.58	185.68	586,590
Monday, June 30	86.40	226.34	128.00	193.52	188.21	1,843,050
Tuesday, July 1	86.49	223.03	128.97	195.79	190.33	2,278,850
Wednesday, July 2	86.59	225.25	129.23	194.20	190.83	1,231,130
Thursday, July 3	86.81	222.46	128.36	193.20	187.92	1,384,250
Friday, July 4		HOLIDAY — EXCHANGE CLOSED				

trade; (4) rising prices; (5) intense business activity. Usually it takes about a year of falling money rates to overcome business curtailment. The commercial paper rate of the last boom reached its peak at 6.25 per cent last September but the plateau was reached as early as April. In a broad way we may say that interest rates have been stationary or declining for a year or more. At first low rates did not mean that money was moving. We have about arrived at the time when it will move. In dull years July is a low-point month. With its passage we usually come into a seasonal improvement in business. The indications make it possible, if not probable, that once we are started on the seasonal rise cheap and plentiful money will pick us up and carry us on into the expansion phase of a new cycle. But while money is already cheap—dirt cheap—it does not seem to be plentiful. Low rediscount rates are of little avail if paper is not offered for rediscount. That's where the Federal Reserve disappoints anticipation. It is urged that some artificial inflation is needed to give expansion a start. The only way in which this can be done now is through open-market operations—that is, purchase by the Reserve system of government securities. Another method of Reserve stimulation, that of widening the description of paper available for rediscount would probably require new legislation.

Calling the Turn On the Turn

One of the greatest and most thoughtful of the New York bank presidents told the writer that he considered that future graphs would show that the expansion of 1930-31 began in August 1930. A leading financial economist agreed that August was a good month to pick for the time when the pressure of cheap money would begin to boost production, but urged that any such prophecy was entitled to a tolerance of two or three months. He feels that the Federal Reserve banks hold the power, through credit and currency manipulation, to start the ball a-rolling. Some observers insist that future plottings will show that the bottom was really reached in the latter part of June (when there was a small increase in the quantity of money in circulation), but if so it will have a hard time to show through the normal July dullness. The consensus of opinion is that by the end of the year we shall be well started on the business revival, but the uncertainty as to just how long the present recession has been in effect makes it dubious as to when it will end, even if recessions were of fixed length. The gloomy agricultural situation may take most of the up out of the normal fall uplift, thus shifting the turning point on to December, the next normally a low point in the business time chart.

The writer is inclined to think that August will witness the cessation of the business retreat but that the upturn will not be undeniably in evidence until after the first of the year. Ordinarily that would imply a revival in the stock market in the fall, but the confusion of stock valuation standards makes this year extraordinary. The market in respect to many issues still seems to be struggling between the potential, if mythically so, standards of last year and the traditional standards of ratios between earnings or dividends and prices. Moreover, the third and fourth quarter reports of corporation net earnings will be disappointing and will tend to offset in the public mind the certain consequence of the resumption of business activity.

In conclusion, it is interesting to observe that the Committee on Economic Changes has just issued another report, in which it holds out hope that a technique of balance for the control of the business cycle may eventually be worked out, but at the same time it opines that a perfectly adjusted balance is not only considered practically unrealizable, "it might even, if attained, tend to impede progress." Human nature, the great force behind all cycles, does not change. Each generation as it rises to power seems prone to repeat the familiar errors of those that have gone before it.

We are told by Julian Huxley that the weather zone of human progress is coincident with the cyclone belt. Perhaps there cannot be continued economic progress without business cyclones. Mankind may require the alluring hazards of uncertainty and the sting of defeat from time to time to put forth its best efforts.

Trade Tendencies

(Continued from page 484)

velopments in sight for the remainder of the present quarter, activity is likely to remain dull during July and round into an upturn sometime in August which should, according to past precedent, work up to an October peak.

Current dullness in all consuming lines except line pipe and structural steel preclude the possibility of an immediate pick-up. Railroad requirements for rails and equipment have been steadily decreasing for the last three months; automobile production has passed its seasonal peak and the present month will probably be the dullest of the year, steelwise; exports continue to decline. On the constructive side, recent orders for line pipe are reported so heavy as to engage present capacity for the next six months and structural shipments are at last responding to seasonal demands.

The price structure has apparently come to rest at lower levels for the time being, at any rate, and while some weakness remains to be cut out in quotations for a few items the feeling prevails that profit margins are too narrow to permit much further reduction. Earnings for the second quarter will probably represent the low water mark of the current depression for many companies and the third period will possibly present an increase for selected concerns.

BUILDING

Trends Mixed

With trade and industry in the throes of a depression that has already lasted nine months, business leaders are anxiously casting about for some tangible assurance that a recovery is on the way. And one of the surest signs of a revival in business is heavy construction activity. The reason for this is obvious. Building is second only in importance to agriculture in this country. It consumes an enormous quantity of raw and finished materials of all sorts and affords employment to millions of workers for a large part of the year. Consequently, construction totals have been watched with a great deal of interest since the first of the year.

Slumping somewhat in January and February, building contracts awarded picked up briskly in March and in April according to the normal seasonal manner but the reports of the F. W. Dodge Corporation for 37 states east of the Rockies show declines during May of 5% from the preceding month and 22% from May, 1929. On analysis, however, and compared with figures for the preceding year, the character of building has undeniably undergone a decided change.

F. W. Dodge Reports of Contracts Awarded

	1930 April	1930 May	1929 May
Public works and Utilities...	31%	29%	24%
Residential	25	25	30
Commercial	15	16	15
Industrial	8	12	14

The outstanding features of the preceding table are the increase in per-

Building and Loan Associations

We will be glad to answer questions regarding Building and Loan Associations, provided that the information available on the association under consideration is sufficiently complete to warrant an opinion. Address, Building & Loan Ass'n Department, c/o The Magazine of Wall Street, 42 Broadway, New York City.

centage of public construction and the decrease in residential building from a year ago. It may also be noticed that the chief retarding factor in the field is the residential branch. Overbuilt housing conditions in many sections of the country which are a carry over from the 1928 building boom are acting as a drag on demand for dwellings and this condition can only be relieved by deterioration or by growth in population—both slow processes. However, easier mortgage money which is beginning to be drawn on the scene by the low money rates that have prevailed since the initial break in securities markets last Fall should result in an increasing amount of work in this field as the year progresses.

The increases noted in public works and utilities construction are directly attributable to the attempts of Federal, state and municipal governments to stimulate business and it must be admitted that so far these agencies have done everything in their power along this line. In fact, state and municipal bonds issued during the first four months were in unprecedented volume.

The commercial and industrial fields are doing well to maintain their present totals considering the depressed situation and should not be expected to do more than hold their current position. Excessive construction now would be an unwise use of money that might be more profitably employed at this time.

The current trend seems to point to maintenance of present position through the Summer with an increasing amount of residential building strengthening the whole as the momentum afforded by public construction wears off. Some pick-up may be noticed in the Fall; but it is highly unlikely that totals for the entire year will approximate optimistic predictions made last Spring.

An Early Investment That Led to Financial Independence

(Continued from page 483)

by losses incurred by my father and by my brother; and a lack of knowledge of investment principles, due largely to the fact that for a long time I devoted myself almost entirely to advancing professionally.

My errors of commission have been few but my errors of omission have been many. My professional education should have been supplemented by a financial education, the need of which too few seem to realize. So, I say again, I wish that twenty years ago some one had handed me a copy of THE MAGAZINE OF WALL STREET.

Dividends and Interest

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the losing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$7.00	Abraham & Straus pfd.	$1.75	Q	7-15	8-1
2.50	Am. Lt. & Trac. com.	0.62½	Q	7-17	8-1
1.50	Am. Lt. & Trac. pfd.	0.37½	Q	7-17	8-1
1.00	Am. W. W. & El. com.	0.25	Q	7-25	8-15
Stk	Am. W. W. & El. com.	1/40th	Sa	7-25	8-15
3.50	Anaconda Copper	0.87½	Q	7-12	8-18
—	Anaconda W. & C.	0.37½	—	7-12	8-11
1.50	Andes Copper	0.37½	Q	7-12	8-11
3.00	Austin-Nich. pfd. "A".	0.75	Q	7-15	8-1
7.00	Balt. & Ohio com.	1.75	Q	7-19	9-1
4.00	Balt. & Ohio pfd.	1.00	Q	7-19	9-1
6.00	Bethlehem Steel com.	1.50	Q	7-18	8-15
7.00	Byers (A. M.) pfd.	1.75	Q	7-15	8-1
2.00	Columb. Gas & El. com.	0.50	Q	7-19	8-15
5.00	Col. Gas & El. pfd.	1.25	Q	7-19	8-15
6.00	Col. Gas & El. pfd.	1.50	Q	7-19	8-15
5.00	Crucible Steel	1.25	Q	7-15	7-31
3.00	Eaton Axle & Sp.	0.75	Q	7-15	8-1
1.50	Exchange Buffet Corp.	0.37½	Q	7-15	7-31
4.00	Freeport Texas	1.00	Q	7-15	8-1
7.00	General Cable pfd.	1.75	Q	7-15	8-1
4.00	General Cigar com.	1.00	Q	7-16	8-1
3.00	General Foods com.	0.75	Q	7-15	8-1
3.00	General Mills com.	0.75	Q	7-15	8-1
3.00	Grandby Consol.	0.75	Q	7-18	8-1
3.00	Greene Cananea	0.75	Q	7-12	8-11
2.00	Hupp Motor	0.50	Q	7-15	8-1
2.00	Indep. Oil & Gas	0.50	Q	7-15	7-31
7.00	Kelsey-Hayes Wheel pfd.	1.75	Q	7-21	8-1
4.00	Liquid Carbonic com.	1.00	Q	7-19	8-1
2.60	Loose-Wiles com.	0.65	Q	7-18	8-1
Ext.	Loose-Wiles com.	0.10	—	7-18	8-1
7.00	Louisville & Nash.	3.50	SA	7-15	8-11
6.00	McCrery Stores pfd.	1.50	Q	7-21	8-1
6.00	Nat'l Lead pfd. B.	1.50	Q	7-18	8-1
6.00	Nat. Pr. & Lt. pfd.	1.50	Q	7-15	8-1
2.00	New Jersey Zinc	0.50	Q	7-19	8-9
4.00	Pullman	1.00	Q	7-24	8-15

Financial Notices

Dividends and Interest

AMERICAN ICE COMPANY

At a meeting of the Board of Directors, held this day, the following quarterly dividends were declared:

Preferred Stock - $1.50 per share
Common Stock - 75¢ per share

such dividends being payable on July 25, 1930, to stockholders respectively of record at 3:00 P.M. on July 7, 1930.

HENRY C. HARRISON, Secretary.

June 24, 1930.

SOUTHERN RAILWAY COMPANY

New York, June 12, 1930.

PREFERRED STOCK

A dividend of one and one-quarter per cent (1¼%) on the Preferred stock of Southern Railway Company has been declared payable on July 15, 1930, to stockholders of record at the close of business June 23, 1930.

COMMON STOCK

A dividend of two per cent (2%) on the Common stock of Southern Railway Company has been declared payable on August 1, 1930, to stockholders of record at the close of business July 1, 1930.

Cheques in payment of these dividends will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

C. E. A. McCARTHY, Secretary.

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway
New York

June 24, 1930.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 38 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable August 1, 1930, to common stockholders of record at the close of business July 11, 1930.

H. F. ATHERTON,
Secretary.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

163rd Dividend

THE regular quarterly dividend of Two Dollars and Twenty-Five Cents ($2.25) per share will be paid on July 15, 1930, to stockholders of record at the close of business on June 20, 1930.

H. BLAIR-SMITH, Treasurer.

EXCHANGE BUFFET CORPORATION

69th Quarterly Dividend

A dividend of 37½c per share on the Capital Stock is payable July 31, 1930, to stockholders of record July 15, 1930.

H. A. FREAM, Treas.

GENERAL FOODS CORPORATION

Quarterly dividend of 75c per share will be paid on no-par common stock August 1, 1930, to stockholders of record 3:00 P.M. July 15, 1930, without closing the transfer books.

J. S. PRESCOTT, *Secretary.*

Dividends and Interest

AMERICAN WATER WORKS AND ELECTRIC COMPANY
INCORPORATED
(of Delaware)

NOTICE OF DIVIDENDS

A quarterly dividend of twenty-five cents (25¢) a share, payable in cash, on the common stock of the Company, has been declared payable August 15, 1930, to common stockholders of record at the close of business on July 25, 1930.

An additional dividend on the common stock, payable in common stock at the rate of 1/40th of one share on each share of such stock outstanding, has been declared payable on August 15, 1930, to common stockholders of record at the close of business on July 25, 1930.

W. K. DUNBAR, *Secretary.*

AMERICAN WATER WORKS AND ELECTRIC COMPANY
INCORPORATED
(of Delaware)

NOTICE OF DIVIDEND

A regular quarterly dividend of $1.50 per share on the $6 Series, First Preferred Stock of the Company, for the quarter ending September 30, 1930, has been declared payable October 1, 1930, to stockholders of record at the close of business on September 11, 1930.

W. K. DUNBAR, *Secretary.*

The Baltimore & Ohio Railroad Co.

OFFICE OF THE SECRETARY

Baltimore, Md., June 18, 1930.

The Board of Directors this day declared, for the three months ending June 30, 1930, from the net profits of the Company, a dividend of one (1) per cent on the Preferred Stock of the Company.

The Board also declared from the surplus profits of the Company, a dividend of one and three-quarters (1¾) per cent on the Common Stock of the Company.

Both dividends are payable September 2, 1930, to Stockholders of record at the close of business on July 19, 1930.

The Transfer Books will not close.

G. F. MAY, Secretary.

ANACONDA COPPER MINING CO.
25 Broadway,
New York, June 26, 1930.

DIVIDEND NUMBER 108.

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Eighty-seven & one-half Cents (87½c) per share upon its Capital Stock of the par value of $50. per share, payable August 18, 1930, to holders of such shares of record at the close of business at 12 o'clock, Noon, on July 12, 1930.

A. H. MELIN, Secretary.

Dividends and Interest

GENERAL MILLS, INC.

COMMON STOCK DIVIDEND

Directors of General Mills, Inc., have declared a regular quarterly dividend of 75 cents per share upon common stock of the Company payable August 1st, 1930, to common stockholders of record at close of business July 15th. Checks will be mailed. Transfer books will not be closed.

July 15th has been fixed as a record date for termination of stockholders entitled to vote at the annual and special stockholders meetings to be held August 12th, 1930.

(Signed) D. D. DAVIS,
Vice-President and Treasurer.

Eventually GOLD MEDAL FLOUR *why not now?*

INTERNATIONAL RAILWAYS OF CENTRAL AMERICA

The Directors of the International Railways of Central America have declared a quarterly dividend of one and one-quarter of one per cent (1¼%) on the Preferred Stock of that Company, payable August 15, 1930, to Preferred Stockholders of record at the close of business on July 31, 1930.

FRANK I. TENNYSON, *Treasurer,*
11 Broadway, New York, N. Y.

OIL SHARES INCORPORATED

Preferred Stock

The regular quarterly dividend of seventy-five cents (75c) per share has been declared on the Preferred stock (par value $50) of this Corporation, payable on July 15th, 1930, to stockholders of record at the close of business on July 5th, 1930. Transfer books will remain open.

CECIL PAGE, *Secretary.*

LUXURY

—IN ITS AIRPLANE POWER
—IN ITS BRILLIANT BEAUTY

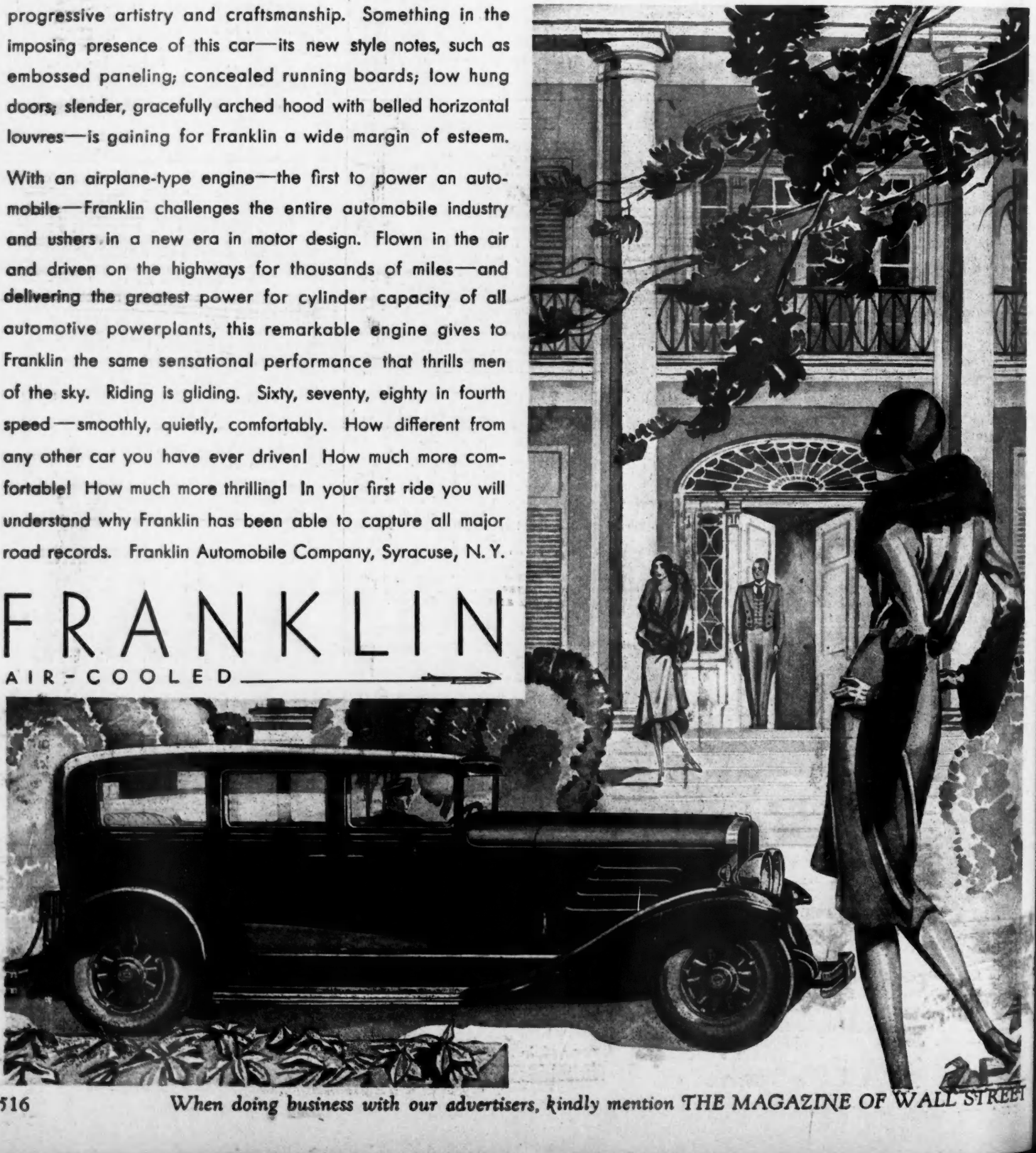
A ride in the new Franklin gives you something more than the usual motoring experience. Its revolutionary airplane-type engine affords an entirely new sense of power—air-cooled power so smooth in its flow that you are scarcely conscious of it—LUXURIOUS POWER, that sweeps this car along with the easy feel of a gliding plane.

From the masterful conception of its lines to the smallest details of its fitments, every aspect of the 1930 Franklin shows progressive artistry and craftsmanship. Something in the imposing presence of this car—its new style notes, such as embossed paneling; concealed running boards; low hung doors; slender, gracefully arched hood with belled horizontal louvres—is gaining for Franklin a wide margin of esteem.

With an airplane-type engine—the first to power an automobile—Franklin challenges the entire automobile industry and ushers in a new era in motor design. Flown in the air and driven on the highways for thousands of miles—and delivering the greatest power for cylinder capacity of all automotive powerplants, this remarkable engine gives to Franklin the same sensational performance that thrills men of the sky. Riding is gliding. Sixty, seventy, eighty in fourth speed—smoothly, quietly, comfortably. How different from any other car you have ever driven! How much more comfortable! How much more thrilling! In your first ride you will understand why Franklin has been able to capture all major road records. Franklin Automobile Company, Syracuse, N. Y.

FRANKLIN

AIR-COOLED




Drink
Coca-Cola
Delicious and Refreshing
"Meet me at the soda fountain"
Coca-Cola
TRADE MARK REG.
MIN. CONTENTS
Coca-Cola
for the Pause that refreshes
Always a happy invitation to good company, and so easy to act upon. For, around the corner from anywhere, there's always a cool and cheerful place where Coca-Cola invites you to enjoy refreshment and be refreshed for enjoyment.
Ice-cold, sparkling, delicious—pure as sunlight—Coca-Cola is the one drink that fits all times, all places, all thirsty needs. And, along with millions of people every day, you'll find the pause for its wholesome refreshment a delightful way to well-being.
THE BEST SERVED DRINK IN THE WORLD
A pure drink of natural flavors served ice-cold in its own glass and in its own bottle. The crystal-thin Coca-Cola glass that represents the best in soda fountain service. The distinctive Coca-Cola bottle you can always identify; it is sterilized, filled and sealed air-tight without the touch of human hands, insuring purity and wholesomeness.
LISTEN IN
Grantland Rice — Famous Sports Champions — Coca-Cola Orchestra — Every Wednesday 10:30 to 11 p. m. Eastern Daylight Saving Time — Coast to Coast NBC Network.
The Coca-Cola Company, Atlanta, Ga.
9 MILLION A DAY—IT HAD TO BE GOOD TO GET WHERE IT IS